



ECONOMIC DEVELOPMENT





5. Economic Development

A. Introduction

Sidney is strategically located within the I-75 corridor and the City's recent growth has been greatly influenced by the movement of people and goods northward and southward along the corridor. Because of its concentration of both business and governmental functions, the City has emerged as the leading economic center in Shelby County.

While at the center of Shelby County's economic base, Sidney has strong economic rivalry from other regional communities, such as Troy, Piqua, Greenville and Bellefontaine. This chapter addresses the following areas:

- **Current Policies and Incentives**
- **Economic Base and Employment**
- **County Economic Performance and Employment Forecast**
- **Business Retention and Attraction**
- **Entrepreneurial Development**
- **Tourism**

In addition to addressing Sidney's economic growth, this chapter also includes an analysis of the City's fiscal health. The status of the City's operating budget, capital improvements program and infrastructure are examined as well as the fiscal impacts of various land uses in the City.

B. Planning Issues

In a general sense the business climate is seen as relatively favorable, with a few notable exceptions. Several people stated that Sidney's small community size and strategic location on I-75 were major development advantages. The City is perceived as lagging in certain amenities at the present time, as was indicated during the last Comprehensive Plan Update in 2002, such as the availability of quality restaurants as compared with Troy, Tipp City and Piqua. City government continues to be seen as supportive of economic development and helpful with specific development projects - although people believed City Hall could organize itself better to support economic development (the City should define the type of development it supports and the level of assistance, it was noted). City Hall was noted as being run very professionally. Major investments by Japanese companies are seen as testimony to the City and region's favorable business climate. Emerson Climate Technologies (formerly Copeland Corporation) was viewed as a benchmark of a good corporation - well run, expanding opportunities and strong role in community.

1. Industrial Development

The Sidney area has been successful in industrial development, with the huge investment by Japanese companies being the major source over the last several years. Long-standing local companies are viewed as important to the economic base, but several people suggested these companies face even greater challenges in the future. While industrial land and formal industrial parks exist in the area, it is important that the Plan allocate enough future land to accommodate expansion by existing companies. A shortage exists for small industry, especially startups. Industrial base provides opportunities for personal growth because of its size. The Honda sewer line project sends an important signal to corporations regarding the community's ability to work together to solve problems and attract industry. Land must be made continually available for the expansion of existing businesses as well as to promote the location of new industries. Often, industries leave areas because there is no room for expansion with suitable utilities in the community in which they are currently located.



2. Commercial Development

Downtown continues to experience a loss in retail square footage, which is exacerbated by the development of local strip centers on the City's west side. In general people see a need for downtown and convenience shopping facilities. The mix of retail and service businesses needs to be improved. Local money spent on goods and services often leave Shelby County because major retail centers are located in Piqua and Troy. But if local population continues to grow it will generate a market for additional local retail services. There are enough fast food restaurants in Sidney and not enough higher quality sit down restaurants. Residents must travel out of Sidney for a variety of quality dining.

3. Public Economic Development Financing

The City's tax and financial development tools guidelines include performance criteria for tax abatement. The City would benefit from a cost-benefit model to evaluate development proposals. The City is successful in attracting industry because it is ready to respond to requests and proposals. West Ohio Development Council is an outstanding resource, as is the Sidney-Shelby County Chamber of Commerce. The City should continue to support both organizations.

4. City Marketing

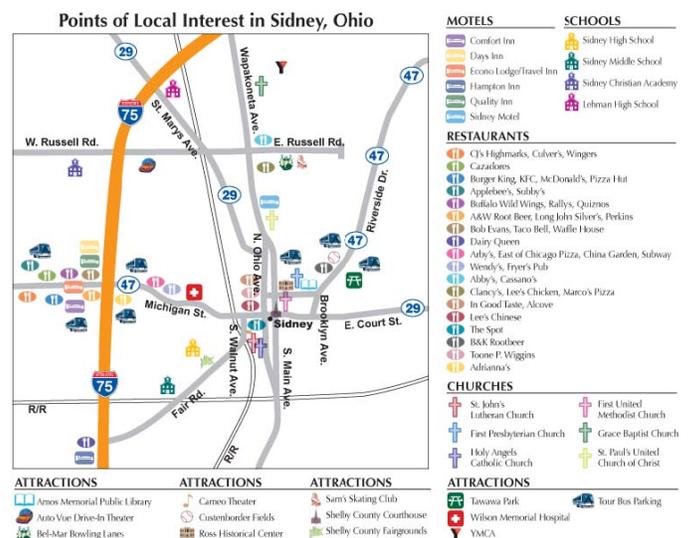
Sidney would benefit from a marketing strategy that communicates with both existing businesses and potential new businesses. The strategy should contain "internal" marketing elements that generate support for needed improvements to the City's development resources and an "external" component that communicates Sidney's advantages for business opportunity and development.

5. Labor Force

According to U.S. Census Bureau 2006 Business Patterns data and the Ohio Department of Development, there are 10,231 workers (those 16 years and older in the workforce) in Sidney and 23,949 workers in Shelby County. The local labor force has a strong work ethic. Edison Community College is an asset in supplying an educated local labor pool. Excellent employment opportunities have always existed in the City, but a tight labor market was indicated as a problem with the current economic climate. Employers are facing a shortage of qualified skilled trade labor and employers find it difficult to recruit employees who seek a metropolitan lifestyle due to Sidney's geographic location. Some constraints for the minority community in obtaining employment in local corporations were noted.

6. Tourism

One strategy of the 2002 Comprehensive Plan Update was the creation of a visitors and convention bureau. The Chamber's current focus was strongly geared towards the corporate community (which has been successful), with little attention paid to the potential of tourism as an economic sector. As a result, the Sidney Convention and Visitors Bureau was established. Their website is <http://www.visitsidneyshelby.com>. Sites and attractions, accommodations and restaurants, annual festivals and a calendar of events, and YouTube videos are all efforts undertaken since the 2002 Plan Update to promote tourism in Sidney. A map is also provided locating restaurants, lodging and attractions. These efforts should continue to aggressively occur to bring tourism dollars to the City.





C. Existing Conditions

1. Findings

From an economic development standpoint, Sidney shares many common challenges and opportunities with other smaller Ohio cities. The interviews conducted with business and community leaders confirm the importance of six major issues to Sidney's future development:

a) Downtown Viability

The downtown while still viable, has suffered some loss of competitiveness due to the growth of retail and service businesses in outlying areas of the City. Downtown areas contribute heavily to many smaller cities' identity. The health of these areas is often seen as a bellwether of the City's overall economic vitality.

b) Retail Quality

The quality of retail development within the City, and even to a degree outside the City, is not sufficiently high in areas, which reduces the physical attractiveness of the City in places. Retail activities can play two important roles in development. First, they act as amenities enhancing the local quality of life by serving the local population's needs. Second, if these activities serve an outside (non-local) market, they bring new income and economic opportunities into the City.

c) Commuter Work Force

All communities must confront the realities of a commuter work force. Eighty-five percent of people living in Sidney work in Shelby County (no change from the 2002 Plan Update). The average travel time for these workers is 14.3 minutes, also no change from the 2002 Plan Update. This breakdown is common in smaller communities based in a rural region with convenient interstate highway access. Although this is a positive sign for Shelby County, this situation raises some important economic development strategy questions for Sidney. First, do City residents hold a sufficient number of higher quality jobs in the City? These types of jobs tend to be more secure and offer higher pay and benefit levels, thereby adding more to the community's wealth. Second, how does the City increase the number of high-quality jobs that develop in Sidney in the future?

d) Economic Diversity

Non-metropolitan and rural economies are often overly dependent upon one or a few industries for economic development. Economic base diversification should be a continued top priority for Sidney in the future, even though the surrounding local economy has fairly good representation from agriculture, manufacturing, retail, and service industries. Future attention should be given to diversification within manufacturing, a greater emphasis on higher-end, export-based retailing, stimulating the area's underdeveloped office and service sector, and expanding the tourism sector.

e) Development Financing

Smaller communities face big challenges in paying for infrastructure and other community investments required to strengthen their economic base. This will be an issue for Sidney as it prepares to build the City in light of its new comprehensive plan. Valuable major corporate citizens, like Honda, require a constant flow of investment to retain their competitive edge. This competitive edge is likely to require even more City help in the future. Sidney must adopt policies which prioritize, guide and expand its future use of financial and tax incentives, infrastructure services, and other City economic development assistance.



f) Land Supply

The City occupies a 11.87 square mile area; a 27% increase in land area since 2002. It boasts a viable, but changing downtown area, several retail shopping areas, a variety of recreational areas, and several major industrial parks with available land. In large part, the City has a built environment, and its supply of land for future growth is diminishing as businesses expand and move into the City and new residential areas are developed (e.g. Plum Ridge). Future economic development, even at a modest rate of growth, will require additional land supply. Some of this land must come from the redevelopment and reuse of existing real estate, especially in the downtown area. New land will be required however to accommodate the future expansion of existing manufacturers, and the attraction of appropriate new industries to the community. The threat of growth in the unincorporated areas surrounding the City is likely to increase, especially if development infrastructure becomes available in these new areas.

2. Current Policies and Incentives

a) Economic Partnerships

Several important economic development groups at the regional and statewide level serve Sidney. In addition to City Hall's active effort to respond to business needs, the West Ohio Development Council, the Sidney-Shelby County Chamber of Commerce, the Ohio Department of Development and area gas and electric utility companies provide economic development services. As the City fashions economic development strategies under its Comprehensive Plan, these groups should continue to be engaged as major resources to help Sidney accomplish its future development goals.

b) Incentives

The City of Sidney has incorporated an Enterprise Zone (EZ) and Community Reinvestment Areas (CRA) to provide incentives that encourage development. The single enterprise zone encompasses the City corporate limits. The City currently has three CRA's: the first is located in downtown Sidney; the second is located along Wapakoneta Ave from the intersection with Ohio Ave to Russell Rd; the third CRA included most of the industrial and commercial properties west of I-75. The purpose of the EZ and CRA, as stated in their respective policies, is as follows:

"... to provide the City with an effective tool to encourage, manage and guide certain desired economic development activity within the designated zone (or community reinvestment area)."

Both tools are intended to enable Sidney to play a competitive role in establishing, retaining and expanding the local manufacturing base, thereby enhancing local employment opportunities and private and public capital investments.

Eligible businesses are manufacturing, research and development of tangible goods, warehousing and distribution associated with manufacturing. Eligibility under the CRA policy additionally includes low to moderate-income housing, retail and service industries. Abatement guidelines are applied to the EZ and CRA, as are requirements pertaining to the degree of investment. The EZ is reviewed annually by the Tax Incentive Review Council to determine if businesses associated with the zone have complied with the terms outlined in the agreement. The Advisory Committee of the CRA serves to advise the City Council regarding the term of the abatement to be granted.



3. Economic Base

a) Recent Trends

Business establishment growth is an important local economic vitality indicator. City-level forecasts of establishment and employment growth are not possible, given severe public data limitations. A general employment forecast is provided for Shelby County to shed some light on the surrounding economy of which Sidney is a part.

Between 1998 and 2006, manufacturing activities have slowed significantly from previous decades, adding only 6 new establishments, an increase of 7 percent, during that time period. As a comparison, between 1982-1996, Sidney added 25 new manufacturing facilities. Between 1998 and 2006, Shelby County added 7 new manufacturing establishments, an increase of 5 percent. The total number of employees in the manufacturing industry in Shelby County increased by 9.8 percent. Industries that experienced the most growth between 1998 and 2006 in Sidney were Services with 11 new establishments, Information with 6 new establishments, and Finance & Insurance with 5 new establishments. Shelby County experienced the most growth in Transportation & Warehousing with 9 new establishments, Finance & Insurance with 8 new establishments, and Information with 6 new establishments. Both Shelby County and Sidney experienced the highest losses in establishments in the Retail Trade industry, with a decrease of 14 for the County and 15 for Sidney.

b) Manufacturing Base

Sidney and Shelby County manufacturers produce such diverse products as aluminum and vinyl building products, automobile and home appliance parts, electronic apparatus and controls, refrigerators, refrigeration compressors and condensing units, computerized machine tools, metal forming presses, metal can machinery, index drives, portable air compressors and rock drills, paper folding and bindery machinery, travel trailers and motor homes, publication of periodicals and advertising specialties, motorcycle and automobile engines, automobile brakes, suspensions and transmissions, bakery mixing machines, precision aluminum castings, medical furniture, high temperature gasketing material, tools and dies, sports clothing, automotive seating and interiors, plastic containers, pigmented resins, food products, and rigid computer memory disks. Table 5.1 on the following page identifies the City's largest manufacturing employers.

Historically, Sidney has had a favorable mix of large branch plants of externally owned companies and small to medium-sized entrepreneurial manufacturing companies. In recent years, the employment growth potential of some of the City's well-established branch plants has lessened because of national and global industry restructuring and consolidation as well as a global recession. Some of its successful locally owned companies have been acquired by national and international corporations. This suggests that the City must rely even more on its locally owned entrepreneurial companies for jobs, and it must work to attract an appropriate number of new non-local companies to the City. Japanese companies have favored the I-75 Corridor as an investment location in Ohio and the Midwest due to its access to the larger U.S. market. The volume of this foreign investment has decreased as the Japanese economy suffers greater internal problems, and as Japanese companies approach a threshold for local production in the United States.



**Table 5.1
 Largest Employers (Companies with over 100 Employees)¹**

Company	Number of Employees		Type
	Full Time	Part Time	
Emerson Climate Technologies, Inc.	1437	0	Headquarters
Wilson Memorial Hospital	584	121	Headquarters
Shelby County Commissioners	662	0	Headquarters
NK Parts	600	0	US Headquarters
Sidney Board of Education	475	0	Headquarters
American Trim, LLC	424	0	Branch
Ohio Department of Transportation	450	0	Branch
Cargill, Inc.	389	0	Branch
Holloway Sportswear, Inc.	330	0	Headquarters
Freshway Foods, Inc.	295	0	Headquarters
Wal-Mart Stores, Inc.	283	0	Branch
City of Sidney	282	0	Headquarters
Clean All Services	213	60	Only Location
International Automotive Components	243	0	Branch
Area Energy & Electric	240	0	Headquarters
Mama Rosa Foods	230	7	Branch
Ferguson Construction Company, Inc.	235	0	Headquarters
Ross Casting & Innovation LLC	196	1	Only Location
Advanced Composites, Inc.	196	0	Headquarters
Fair Haven Shelby County Home	177	0	Only Location
Norcold, Inc.	147	0	Headquarters
Energizer, Playtex Business Unit	143	0	Branch
Alcoa Home Exteriors, Inc.	138	0	Branch
Peerless Machinery Corp.	135	0	Only Location
Ross Aluminum Castings, LLC	129	2	Only Location
Formed Fiber Technologies	130	0	Branch
Hydro Aluminum North America, Inc.	129	0	Branch
Amos Press, Inc.	128	0	Headquarters
The Kroger Company	78	49	Branch
Continental Express, Inc.	98	28	Only Location
Sidney Tool & Die Company	115	4	Headquarters
Sidney-Shelby County YMCA	30	88	Branch
Dickman Supply Inc.	116	0	Headquarters
Reliable Castings Corporation	104	1	Branch

¹ Sources: www.manta.com, which uses data published by Dun & Bradstreet, 2008 and the Sidney Chamber of Commerce based on member businesses (September 2009).



4. Employment

a) Recent Trends

Employment growth is the most common measure of economic development performance used by communities nationwide. Employment data for smaller economic areas, like Sidney, is not published as regularly or in as much detail as county-level data.

Table 5.2 identifies how well employment grew in the City's four major economic sectors between the year 1996 and 2007, using data from the previous Comprehensive Plan update for 1996 and U.S. Census Bureau information for 2000 and 2007. The previous Comprehensive Plan update demonstrated that the City manufacturing jobs grew by 3,000 between 1982 and 1992, and then increased by another 831 jobs between 1992 and 1996. Retail employment doubled during the 1982-1996 period, and Service type jobs increased by almost 150 percent, and wholesale jobs, while relatively small in number, increased by nearly 250 percent over the same time period.

Analyzing the same four economic sectors, Table 5.2 shows the changes in employment between the years 1996 and 2007 for Sidney. Compared to the estimates provided in the previous comprehensive plan update, and based on the available Census data for Sidney today, there have been significant changes in industry and employment in Sidney within recent years.

Table 5.2
Sidney Major Industry Sector Employment Trends (1996-2007)*

	Manufacturing	Retail	Wholesale	Services
1996	9,029	2,471	452	3,106
% Shelby County	62.9%	78.3%	53.9%	78.7%
2000	4,290	585	335	3,116
% Shelby County	42.7%	33.1%	39.9%	45.3%
2007*	3,756	847	626	3,031
% Shelby County	39.3%	41.3%	60.0%	39.9%

Source: U.S. Economic Census data

* Data for the year 2007 is based on 2005-2007 American Community Survey 3-Year Estimates

Sidney's share of Shelby County's manufacturing jobs dropped from 63 percent in 1996 to 39 percent in 2007. Manufacturing jobs continue to grow in the City, but not as rapidly as they are growing in other parts of the county. In large part, the presence of the large Honda plant in Anna explains this more rapid growth outside the City limits. Obviously, City residents and the City still benefit from Honda's presence as a source of jobs and City income tax revenues. Sidney's share of county retail jobs decreased by 37 percent during 1996-2007, while the City's share of county wholesale jobs grew by 6 percent over the same period. Meanwhile, Sidney's share of County service jobs dropped from 78.7 percent in 1996 to 39.9 percent in 2007. In general, these shares reflect that County business activity may no longer be concentrated within the City, and is becoming more dispersed among the surrounding communities and unincorporated areas of the County.

b) Competitor City Growth Comparisons

Sidney competes with several communities within its surrounding region for new employment opportunities. Three have been selected as general benchmarks: Troy (Miami County); Piqua (Miami County); and Lima (Allen County). Table 5.3 presents employment growth estimates for these cities in the past seven-year period.



Table 5.3
Competitor Employment Change (2000-2007)*

City	Manufacturing	Retail	Wholesale	Services
Sidney	-534	262	291	-85
Troy	85	-93	112	329
Piqua	29	-456	86	144
Lima	-1,148	46	-70	359
Total	-1,568	-241	419	747

Source: US Economic Census data

Over the longer 2000-2007 period, manufacturing jobs have been on the decline, most significantly in Lima and Sidney. Troy and Piqua gained 85 and 29 manufacturing jobs, respectively. Piqua has lost a substantial amount of retail employment, with a total of 456 retail jobs lost over this time period. Troy lost 93 retail jobs during this period. Retail jobs have increased for Sidney during this period, with an increase of 262 jobs. Wholesale jobs have grown in all cities except for Lima, which lost 70 wholesale jobs. Service jobs also increased in all cities except for Sidney, which lost 85 jobs.

The tendency for manufacturing operations to locate in unincorporated areas will continue through the rest of this decade and beyond if infrastructure and other development resources are available. Wholesale employment related to industrial and consumer goods distribution industries have grown most sharply in Sidney, and less so in the other cities. Both retail and wholesale operations will continue to show a tendency to locate near interstate highways providing easy access. Office jobs related to medical and health care services, education, and information processing and handling will see the greatest future growth nationally. These three industries will be dominant in office and service sector development in rural and non-metropolitan economies in the future.

c) Residential Workforce Characteristics

Data were obtained from the 2000 U.S. Census to examine the workforce characteristics of Sidney residents. The following summarizes characteristics of employed residents:

1) Labor Force

Sixty-eight percent or 10,231 of Sidney residents aged 16 and over were in the labor force. Sidney residents accounted for 42 percent of the County labor force.

2) Educational Attainment

Educational attainment figures of persons aged 25 years and older were similar between Sidney, Shelby County and the state. Approximately 22 percent of the population in Sidney had received less than a high school diploma and 40 percent had attained a high school diploma. Twenty-one percent or 2,698 of the 25 years of age and older population had attained at least an Associate's degree. This figure is comparable to the County figure of 20 percent or 6,095 and the state figure of 27 percent or 2,003,140.

3) Occupation

Sidney residents aged 16 and over employed in the production, transportation, and material moving accounted for approximately 33 percent or 3,264 of all employed residents. While the County reported similar figures, the state employees in these occupations accounted for only 19 percent or 1,029,097 employed persons aged 16 and over. Nearly 25 percent or 2,419 Sidney residents were employed in the management or professional occupation, the same as the County percentage of 25 percent or 5,986 and lower than the reported state figure of 31 percent or 1,672,257.



4) Industry

The manufacturing industry accounted for 44 percent or 4,290 employed Sidney residents 16 years and over in 2000, compared with the state figure of 20 percent or 1,082,185. The County was slightly lower at 42 percent or 10,031 residents, with Sidney representing 43 percent of the County's employees in the manufacturing industry. Sidney residents accounted for 45 percent of the employed countywide residents in the services industry with 3,116 employees.

5) Place of Work and Travel Time

Fifteen percent or 1,428 Sidney workers aged 16 and over worked outside their county of residence. The County reported a figure of 23 percent or 5,317 employees working outside the County, compared with the state figure of 25 percent or 1,313,117 workers employed outside the county of residence. The high percentage reported may be partially attributed to the County's close proximity to the Lima Metropolitan Statistical Area (MSA) and Dayton-Springfield MSA.

Seventy-seven percent or 7,253 Sidney workers commuted less than 20 minutes to the place of work and 23 percent or 2,189 workers traveled 20 minutes or longer. These figures are comparable to County figures of 67 percent or 15,267 traveling less than 20 minutes and 33 percent or 7,641 workers with commutes of 20 minutes or longer, and higher than state figures of 48 percent or 2,482,415 workers and 52 percent or 2,678,834 workers respectively.

5. County Economic Performance

This section examines employment and unemployment trends in Shelby, Miami and Logan counties as a backdrop for economic conditions in Sidney.

a) Employment Trends

Shelby County's total employment base has increased from 23,816 jobs in 1998 to 26,781 in 2006, according to 1998-2006 County Business Patterns data from the U.S. Census Bureau. This increase of 2,965 jobs represents a 12 percent growth during the 8-year period, and a 2.75 percent average annual growth rate over the period. Manufacturing jobs represented over 50 percent of Shelby County's total jobs for each year during the 1998-2006 period. These manufacturing job shares are high compared to most Ohio counties. Shelby County, like the City of Sidney, depends highly upon the manufacturing sector for jobs and income. By comparison, manufacturing jobs were 21 percent of total Ohio jobs in 1998, and they dropped to 16 percent of total Ohio jobs in 2006.

Miami County is home to Piqua and Troy, which compete with Sidney for various types of economic development projects. Shelby County's employment base is about 69 percent as large as Miami County. Logan County (Bellefontaine) is about 67 percent as large as Shelby County. Miami County grew initially because of spillover growth from the Dayton area. Shelby and Logan Counties have historically had a rural and agricultural base, which has changed in the last three decades due to the southward spread of industrial and commercial development from Toledo, the northward push of development from the Dayton-Springfield area, and the westward growth momentum coming from the Columbus area.

b) Unemployment Conditions

All three counties were affected by the economic recessions in the early 1980's and 1990's, reflected by higher unemployment rates during those periods. Since 1992, unemployment has been low in all three counties. These figures may change, however, due to the current economic recession that has affected employment conditions in various industries throughout the United States since 2008.



6. County Employment Forecast (1997-2010)

This section presents a general employment forecast for Shelby County based upon expected changes in the general economy during the 1997-2000, and 2000-2010 periods. While an actual employment growth forecast is not technically feasible for the City of Sidney based upon existing data, a qualitative outlook for future City job growth is provided, in light of the trends forecast for Shelby County. First, available statewide growth forecasts are reviewed as a backdrop for the county employment forecast.

a) Ohio Economic Forecast

The Ohio Department of Development tracks recent business investment projects in Ohio's 88 counties. Over the last three years (2006-2008), 1,283 investment projects occurred in Ohio, about half of what occurred during the previous 3 year period. These projects fueled \$22.1 billion in new business investment, and they created more than 67,653 new jobs statewide. Almost 800 (66 percent) of these total investment projects involved manufacturing operations. Approximately 152 of the projects involved international investment.

1) Employment Forecast

The following employment forecast has been prepared for 2000-2010:

2000-2010- Total employment is expected to grow at a 0.88 percent average annual rate during the period. Manufacturing jobs are forecast to decrease at a 0.67 percent average annual rate during the period, while non-manufacturing jobs will grow at a 1.27 percent average annual rate during the decade. Compared to the 1997-2000 period, manufacturing jobs are expected to increase their rate of decline statewide, and non-manufacturing jobs will grow at a somewhat slower rate during the 2000-2010 period.

b) Shelby County

County employment estimates prepared by the Ohio Department of Development for the 2002-2007 period indicates an annual rate of growth in employment of 1.55%. Total County employment in 2007 was estimated at 28,400 jobs. Given larger economic trends during the late 2000's, and expected continuing impacts into the future, a rate of employment growth of 0.75 to 1.25 percent appears to be reasonable.

The manufacturing sector's share of total employment has also declined substantially, declining to an estimated 39.2% of total employment in 2006. However, this proportion was the highest in Ohio in 2006. The total number of jobs in the manufacturing sector declined by 470 between 2000 and 2006, indicating that the manufacturing sectors were not adding employment during this time period and that the majority of job growth occurring was experienced outside of the manufacturing sector. Given trends in manufacturing employment across the region, employment levels in this sector are not expected to increase substantially in the near future.

Table 5.4 identifies the average annual growth rates for the county's major economic sectors for the 1996-2000 and 2000-2010 periods.

Table 5.4
Shelby County - Industry Annual Growth Rates

Sector	1992-1996	1996-2000	2000-2010
Total Employment	3.9	3.6	3.2
Manufacturing	2.5	2.1	1.7
Wholesale/Retail Trade	5.7	5.5	5.0
FIRE	-0.006	0	0
Services	6.9	6.5	6.0
Government	2.5	2.2	1.5
Construction	8.5	8.0	7.0
Transportation/Utilities	9.9	7.5	5.0

Note: FIRE = financial, insurance and real estate



This analysis does not reflect the strategic importance of the agricultural industry to Shelby County. While farm jobs in the County are quite small, it is expected that downstream food-processing and agribusiness-related industries are significant in the county. Published economic data on the county do not reflect these trends.

c) Implications of the County Growth Forecast for Sidney

Shelby County will see continued employment growth in the future, which suggests that Sidney will participate in this growth to a significant degree. Sidney should continue to get roughly its current share of manufacturing, retail, wholesale, and service growth during the short-term period. In 1996, Sidney had the following shares of Shelby County's industrial employment:

1. Manufacturing: 63 percent
2. Retail: 78.3 percent
3. Wholesale: 54 percent
4. Services: 78.7 percent
5. Other Sectors: Unknown

Manufacturing jobs will continue to grow in the City, but they may slow due to fewer existing company expansion projects and more limited availability of large industrial sites in the City. Sidney should prepare for future industrial expansion by planning new sites as part of the Comprehensive Plan. Otherwise, existing industrial employers will expand outside the City's boundaries.

As the county seat, Sidney is the location for most government-related jobs in the county. There are 2,494 government jobs in the county at present. This trend is unlikely to change in either the short and longer terms. Therefore, Sidney will remain the primary government center in the future.

Services, transportation and utility, and finance, insurance, and real estate (FIRE) activities are likely to remain physically linked to major governmental offices and large business functions. This suggests that these type businesses will continue to remain in Sidney and its immediate surrounding area. If Sidney follows the pattern seen in many smaller cities along interstate highways, then a portion of new office jobs will locate outside the City limits for transportation, real estate, and development cost reasons.

Perhaps the biggest threat could come to Sidney's retail shopping sector. As new large box retailers and new shopping malls continue to locate outside central cities, these jobs could move across the line into surrounding unincorporated areas. A significant portion of these new retail jobs outside the City will develop at the expense of downtown and older commercial area jobs.

7. Related Trends

a) Retail Sales

Auto sales, food stores, and eating and drinking establishments account for the largest shares of the market. Within the 35 percent other category, are a variety of retail businesses, including entertainment, specialty goods, personal care products, and other businesses. There were 230 retail businesses in Shelby County in 1994, according to the US Census Bureau's *County Business Pattern - Ohio Report*. This compares to 530 retail establishments in Miami County with \$876 million in sales, and 262 retail stores with \$315 million in sales in Logan County.

b) Personal Income Trends

Shelby County had 1994 total personal income of \$909 million in current dollars, compared to \$840 million in Logan County, and \$2.01 billion in Miami County. Shelby County's total personal income from all sources has grown from \$405 million (current dollars) in 1982 or \$729 million (1994 real dollars). Shelby County's per



capita personal income was \$19,471 in 1994, compared to Logan County's \$18,781, and Miami County's \$20,744. All three counties were below the state's average per capita personal income of \$20,867. Shelby County's per capita personal income has grown from \$9,309 to \$19,471 in current dollars, and \$16,742 to \$19,471 in real 1994 dollars.

c) City Fiscal Trends

The FY97 operational fund analysis prepared by the City indicated estimated total funds at \$44 million with \$35 million estimated in expenditures. A year-end balance of \$8.9 million was projected. The FY97 capital improvement budget was estimated at \$2.8 million in expenditures.

The total property tax rate of \$55.90 per \$1,000 taxable value was comprised of a City tax of \$3.20, a school tax of \$46.10, a county tax of \$6.50 and a township tax of \$0.10. The effective rate for residential real estate was \$38.94 and the rate for business real estate was \$42.34. The taxable value for real property was 35 percent of the market value.

The local income tax of 1.5 percent was applicable to earned income of both Sidney residents and nonresidents working in the municipality, as well as to net profits of businesses which were associated with activities in the City. Other sources contributing to the tax base of Sidney included the retail sales tax of 6.5 percent (which included the County tax of 1.5 percent), the state personal income tax and the automobile license fee of \$26.50.

d) Development Trends

The following summarizes recent development trends in Sidney.

1) Commercial and Industrial Development

Data obtained from Shelby County Auditor reports reveal a fluctuation in the average assessed cost per commercial and industrial projects undertaken in Sidney between 1992 and 1996. A total of 257 projects were reported to the County over the five-year period, with 207 having provided assessed costs. The average assessed cost per project totaled \$313,895 with the total cost assessed at \$67,609,634. The highest annual average assessed cost per project was reported in 1995 at \$503,222, followed by 1996 at \$373,307. It is important to note, however, that seven projects had costs of over one million dollars in 1995, compared with the next highest number of three projects in 1992. An annual average assessed cost of \$190,417 per project was the lowest reported figure, occurring in 1994.

The most significant percentage increase in the number of commercial and industrial projects reported from year to year occurred between 1993 and 1994, with an increase of 76 percent (22 projects), followed by a 64 percent (34 projects) increase between 1995 and 1996. The only decrease occurred between 1992 and 1993, with a 22 percent (8 projects) decline.

2) Residential Development

Data pertaining to residential activity in Sidney gathered by the City of Sidney Building Department between 1990 and 1996 reveal an addition of 570 structures and 716 units to the housing stock over the seven-year period. A total of 447 single-family structures were constructed at a cost of over \$42.5 million, 100 two-family structures at a cost of over \$7.5 million and 23 three-family units at a cost of over \$2 million. The number of units constructed within each housing structure category fluctuated between years, as did the average construction costs per year. An average construction cost of \$95,557 per year characterized single-family residential activity, \$73,431 characterized two-family activity and \$52,768 characterized three-family residential activity per year.



D. Economic Development Plan

1. Introduction

This section identifies a set of strategies to help the City of Sidney to reach its overall economic development goals and objectives. These strategies are consistent with other parts of the Comprehensive Plan. In many cases, these actions will be undertaken in partnership with other local and regional development groups, such as the Sidney-Shelby County Chamber of Commerce, Sidney Visitors Bureau, the West Ohio Development Council, Shelby County government, area electric and gas utility companies, and the Ohio Department of Development.

2. Policies

Policies guide how economic development programs and activities are developed and administered. City governments have continued to increase efforts to make their economic development efforts more policy-based to ensure these activities are more consistent with overall community values and priorities. A mission statement and objectives have been developed as a policy foundation for the Economic Development Plan. The following summarizes the mission statement and objectives that serve as the policy foundation for the Economic Development Plan.

a) Mission Statement

The City's economic development mission is to *retain and attract commercial, retail and industrial businesses, and diversify the job base to increase opportunity and attract quality jobs.*

b) Objectives

The following are the Economic Development objectives:

Objective 1 - Retail - Increase amount and quality of retail stores, restaurants and entertainment.

The City Administration should work with its local and regional development partners to assist existing commerce and industry in the City to maintain and expand existing operations. The City will approach future retention and expansion efforts in a more focused and systematic manner. Greater attention will be given to the expansion of businesses that create more high-quality employment opportunities in the City. Manufacturing business retention should be the number one priority.

Objective 2 - Business Retention - Retain quality businesses and industry.

The City Administration should work with its local and regional development partners to recruit high quality employers to the area to expand the job base for local residents. Attraction efforts will concentrate on businesses creating quality jobs (higher paying/more stable) and those that link favorably to the existing local industry base.

Objective 3 - Business Attraction - Attract quality businesses and industry.

The City Administration should encourage selective growth of its local retail sector to increase the diversity and number of quality retail stores, restaurants, and entertainment. These new businesses should fill existing retail shopping needs of Sidney residents who now travel out-of-town to acquire these services.

Objective 4 - Labor Force - Diversify the job base, attract higher paying jobs and create more job opportunity.

The City Administration should place an active priority on assisting the growth of new entrepreneurial businesses in the community through increased new venture development and self-employment. This effort also will increase the number of home-based service businesses in Sidney.



Objective 5: Tourism Development - Encourage tourism.

The City Administration should encourage appropriate types of tourism development that are consistent with overall community values and development goals. Tourism activities should focus primarily on attracting spending dollars from the surrounding regional market. These activities should also enhance the quality of life of local residents by expanding the range and quality of recreational and entertainment options available.

3. Standards

Since economic development is becoming more performance-based, Sidney should establish standards in reaching its future economic development goals.

a) Desired Employment Mix

The City must provide an appropriate mix of jobs for its residents in the future. This mix must reflect both the City's competitiveness in developing specific types of jobs and the labor market skills of current residents. Just over 47 percent of the City's residents worked in the manufacturing sector in 1990 and an estimated 44 percent of City residents held manufacturing jobs in 2002. In 2007, 39% of City residents held manufacturing jobs. This percent is expected to drop to about 35 percent by the year 2020. Service-producing jobs (everything except manufacturing jobs) represented 53 percent of total jobs held by City residents in 1990. This percentage is estimated at 60 percent in 2008 and is expected to increase to around 65 percent by the year 2020.

As of the most recent figures issued in 2007, the City currently has: 1) 39 percent of the county's manufacturing jobs; 2) 41 percent of the county's retail jobs; 3) 60 percent of the county's wholesale jobs; and 4) nearly 40 percent of the county's service jobs. When compared to 2000 figures, retail and wholesale figures have increased 8 percent and 20 percent respectively with declines in manufacturing and services; 3 percent and 5 percent respectively.

In order to maintain a healthy and diverse balance of employment, Sidney should strive to maintain 35-40 percent of its residents employed in the manufacturing sector through the year 2020.

b) Industrial Real Estate Development

Industrial jobs are expected to continue to grow in Sidney in the future through expansion of existing uses and new development. The Land Use Plan continues to recommends additional industrial development, especially west of I-75. Future manufacturing expansion should continue to follow the physical development guidelines outlined in the Land Use Plan.

c) Downtown Development

Sidney has an attractive downtown, which is an asset to its future economic development. The downtown area has struggled with retail retention and diversification, office market stability, and other issues common to those facing other cities. While much of the new retail developing in the area is likely to locate in the vicinity of I-75 and SR 47, Sidney should make a special effort to concentrate appropriate retail, office, and tourism activities in its downtown area in a manner and design conducive to the existing downtown development pattern.

d) Corporate Office Center

Sidney should attempt to grow its office sector by creating a corporate office center according to the physical development guidelines identified in the Land Use Plan.



e) **Regional Business Service Centers**

Three regional business service centers are recommended in the Land Use Plan: 1) SR 47 and Vandemark Road area; 2) Fair Road and I-75; and 3) CR25A and I-75 area. These areas continue to be logical areas for developing specialty retail, restaurants, and local consumer service businesses. These areas should serve as the geographic targets for these type businesses in the City.

4. **Economic Development Plan**

The Economic Development Plan focuses on the five priority objectives described above. These are:

- Existing business retention and expansion
- New business recruitment
- New venture startup and entrepreneurial development
- Retail trade development
- Tourism expansion

a) **Existing Business Retention and Expansion**

The City's existing business development strategy should focus on business targets in the three major industry sectors comprising the City's economic base:

1) **Manufacturing and Distribution (Top Retention Candidate)**

Manufacturing activities have the greatest economic impact on the City in terms of job creation, income generation, and local tax payments. In recent years, these operations have shown a tendency to locate in smaller communities in rural and semi-rural regions. Sidney has benefited from this trend to date. As readily developable sites and skilled labor resources become scarcer in the central city, new operations will locate in the surrounding area where land is more plentiful and less expensive, and where workers can be drawn from the larger regional labor market.

Competition for manufacturing industrial distribution investment and jobs continues to be intense in the I-75 corridor, which includes Sidney, Troy, Piqua, Tipp City, Findlay and many other smaller communities poised for economic development.

The following should be the City's top priorities:

i. **Troubled Local Manufacturers**

Local manufacturing operations can be threatened by two general sources of problems: 1) industry and corporate restructuring problems affecting branch plants and operations; and 2) local community problems related to labor, real estate, utilities, objectionable influences, and other resource factors. Sidney is susceptible to both types of problems as its larger branch production plants age, and as corporate mergers and acquisitions remain common in global industries such as automotive, metalworking equipment and fabricated metals.

ii. **Growing Manufacturers**

Two types of manufacturers have grown successfully in recent decades and are forecast to continue on a growth path in the future. First, international companies seeking plant investments in the United States are favorable growth candidates for the Sidney area. Several Japanese and other foreign companies have located in the area since the late 1980's. Many of these companies will continue to grow favorably in the future. The second growth target under manufacturing is the smaller entrepreneurial firm that is generally locally owned and serves as a supplier to larger more established companies.

2) **Office Employers**

Health and medical services, government services and local education continue to dominate Sidney's office sector. Back-office and corporate office activities have been limited, with most of these operations locating on the periphery of the Dayton, Cincinnati, and Toledo areas. Greatest attention should be given to the health



and medical sector among the larger office employer group. These services are most prone to growth nationally and across Ohio. Sidney officials should target new satellite health center growth over the next several years.

3) Retail and Local Consumer Services

A community's quality of life depends upon the availability of a sufficient supply of shopping and service amenities. Sidney must work on strengthening its existing restaurant and general retail mix to the extent possible. Previous local interviews indicate the City is losing revenues to Piqua, Tipp City and Troy for these services.

b) New Business Recruitment

Sidney continues to be competitive for new business recruitment, and therefore it should encourage appropriate nonlocal firms to make investments in the community. These activities should be pursued as a second priority behind existing business assistance. Three categories of businesses should be pursued:

- 1) Small to medium-sized manufacturing and distribution operations in those industries with a current regional presence (automotive, equipment manufacturing, plastics processing, specialty food products, consumer goods manufacturing and distribution, building and construction products and others).
- 2) New high-quality restaurants and local consumer services filling local market needs.
- 3) Office operations (health and medical-related, back-office, computer service and support).

c) New Venture Startup and Entrepreneurial Development

Local residents should be assisted by the City to create new businesses of various types. Appropriate home-based service businesses should be encouraged. New businesses that meet local consumer (food, health, entertainment, convenience shopping, other) market needs should be developed. Information service, consulting, computer online service and similar businesses should be encouraged. Self employment will be a more common path to creating wealth for a greater number of Sidney residents in the future.

d) Retail Trade Development (In the Computer Age)

Many earlier strategies have addressed retail development needs of the community, and therefore a separate strategy is not necessary under the Economic Development Plan. Given the importance of a vital retail sector to community development, it is mentioned here as well.

To the extent possible, the City should encourage the proper mix of retail services to develop in Sidney. This mix will change in time, as residents become more accustomed to electronic commerce (the Internet) serving their retail shopping needs. The City should be prepared for the coming revolution in banking, insurance, education and consumer shopping as more businesses use the Internet to reach general public and business customers.

e) Tourism Development

Tourism can help local economies grow by bringing new outside income into the local market. This income is spent by visitors to purchase entertainment and recreational services, food, parking services, transportation, hotel and lodging, and a myriad of other items. These expenditures stimulate job creation in local industries, and they contribute to tax revenue generation for local public services. The City should adopt targeted marketing strategies to encourage people to visit local historic sites and landmarks, shop, attend festivals and special events, visit relatives, and other activities. Sidney should cooperate with other regional communities to market itself to tourists visiting the area. The City should market itself as a distinct and interesting destination that is a part of a larger marketing and visitation package.



E. Implementation

1. Introduction

The City must adopt specific implementation strategies to successfully accomplish its economic development objectives. This section identifies these actions.

2. Strategies

The following details implementation of the Economic Development Plan:

Strategies

1a) Create Sidney Business Competitiveness Initiative (SBCI)

The City, in cooperation with the West Ohio Development Council, Sidney-Shelby County Chamber of Commerce, and Sidney Visitors Bureau, should create and implement an ongoing existing business development initiative that is targeted to those companies requiring economic development assistance. The financial and real estate services identified below would also be applicable to new businesses evaluating the City for possible new investment. The SBCI should consist of the following four elements:

- 1) An **Annual Business Census** that assesses trends and identifies special industry needs.
- 2) A **Priority Company Contact Project** to meet with and interview those companies facing major retention problems or those with active expansion plans.
- 3) A **Business Growth Network** working with local banks, state development finance authorities and other financial sources (such as the Revolving Loan Fund) to improve the flow of expansion capital to small- and medium-sized Sidney companies. The network should encourage bankers to pool loans and increase local business visibility with venture and seed capital sources in Ohio, Michigan and Indiana.
- 4) A **Computerized Site Inventory** that maintains a very up-to-date industrial, office and commercial property database. The system should build upon existing databases used by realtors and utility companies.

Responsible Party: West Ohio Development Council (Lead), Community Services Director, Sidney-Shelby County Chamber of Commerce, and Sidney Visitors Bureau, local bankers, local realtors and property owners.

Timeframe: Short Term

Estimated Cost: In-House Staff Time

1b) Tourism Marketing Strategy

The City, in conjunction with Downtown Sidney and the Chamber of Commerce and Visitors Bureau should implement a strategy to market Sidney as part of the larger West Central Ohio area. This strategy should improve the use of Internet communication about local attractions, and it should establish a regular direct mail and publicity campaign to build Sidney's image as a destination.

Responsible Party: Community Services Director (Lead), Downtown Sidney, Sidney-Shelby County Chamber of Commerce, and Sidney Visitors Bureau, and various cooperating businesses.

Timeframe: Ongoing

Estimated Cost: \$27,500

- Marketing strategy development \$7,500
- New brochure and schedule \$ 5,000
- Direct mail costs \$ 5,000
- Regional advertising \$10,000 (local business)



1c) New Business Recruitment

Sidney should develop and implement a marketing communications strategy to inform both existing and new companies about the advantages of doing business in Sidney. The strategy should focus on: 1) convincing existing companies to stay and grow; and 2) building a competitive image for Sidney with businesses in Ohio and the Midwest. This strategy should be professionally developed, and it should be implemented by the City, West Ohio Development Council, and Sidney-Shelby County Chamber of Commerce, and Sidney Visitors Bureau, and utility companies serving the area. The West Ohio Development Council should take the lead role on the marketing strategy, which will dovetail with the organization's larger area marketing campaign.

The marketing strategy would contain the following four elements:

- 1) Positive media and business press publicity on Sidney (report results/testimonials).
- 2) Special events (familiarization tour/one per year for Ohio companies only, honor local business days, other).
- 3) Internet website presence.
- 4) Direct mail followed by telemarketing campaign.

Responsible Party: West Ohio Development Council (Lead), City Manager and Sidney- Shelby Chamber of Commerce, and Sidney Visitors Bureau.

Timeframe: Ongoing Two-year campaign executed in four phases: 1) broad based startup phase; 2) keep your existing companies healthy phase; 3) move your company to Sidney; and 4) integration phase.

Estimated Cost: \$40,000

- Campaign design \$10,000
- Publicity activities \$ 2,500
- Special events \$10,000 (plus donated time)
- Internet \$2,500
- Direct Mail/Phone \$15,000

1d) Entrepreneurial Development Strategy

The City should implement a three-prong strategy to increase new business startups in the City:

- 1) Business incubator facility.
- 2) Evaluate privately operated options to reduce public sector costs.
- 3) Internet Startup Business Center which uses many existing online services. Organize information and resource network for local startups.

Responsible Party: Community Services Director (Lead), Sidney-Shelby County Chamber of Commerce, and Sidney Visitors Bureau, and West Ohio Development Council, local real estate property owners, bankers, lawyers, accountants, and management and technical consultants.

Timeframe: Mid Term

Estimated Cost: \$25,000 (per year)
Incubator (if privately owned) \$20,000
Internet Startup Business Center \$ 5,000



F. Endnotes

¹ Source: www.manta.com, which uses data published by Dun & Bradstreet, 2008

² 2000 and 2007 City of Sidney employment and establishment estimates are based on data from the U.S. Census Bureau. Data for the year 2007 is estimated, based on the 2005-2007 American Community Survey 3-Year Estimates

³ 2000 and 2007 employment estimates for Sidney and surrounding communities are based on data from the U.S. Census Bureau. Data for the year 2007 is estimated, based on the 2005-2007 American Community Survey 3-Year Estimates

⁴ All employment figures come from the Ohio Bureau of Employment Services' Labor Market Information Division. These figures are not 100% consistent with the US Economic Census city-level employment numbers used in the analysis of Sidney's economic growth. While not preferred, the use of these two different data sources was unavoidable.

⁵ Ohio Department of Development, Office of Strategic Research, *Ohio Site Selection List, 1994-1996*, January 1997.

⁶ Based upon December 1996 forecast by DRI/McGraw Hill, *US Markets Review*.

⁷ Source: DRI/McGraw Hill, *US Market Reviews*, December 1996.

⁸ All estimates and forecasts are stated in current dollar terms. Source: WEFA Group, *Regional Economic Service Report*, December 1996.



G. Fiscal Conditions

1. Overview

This section provides a brief analysis of Sidney's baseline fiscal conditions. Sidney's annual budget documents, five-year financial plan, and Comprehensive Annual Financial Reports (CAFR) were analyzed in terms of operating revenues and expenditure trends, capital budgeting process, and capital funding sources. The report provides key findings on the current fiscal situation as an input to the planning and visioning process to help guide fiscal planning. For more information on the City's financial reports, see <http://www.sidneyoh.com/finance> for the complete version of the documents listed above.

The following topics are included in this report after a summary of key findings:

- Operating Revenues
- Operating Expenditures
- Capital Improvements & Infrastructure
- Debt
- Economic Development & Tourism

2. Key Findings

Key findings from the baseline fiscal analysis are:

The Five-Year Financial Plan is the primary financial planning process for the City of Sidney. It is via this process that the key long-range decisions are made. The five-year financial plan is updated on an annual basis. The plan includes all major operating funds and all capital improvement funds of the City. The purpose of this plan is to measure the City's financial capacity to meet ongoing operating needs as well as to implement the vision of the Comprehensive Plan and priorities of City Council.

Sidney has taken the progressive approach of aligning many of its operating and capital programs with the goals, objectives, and actions recommended in the 1997 Comprehensive Plan and subsequent 2002 Plan Update. In addition to preserving service levels and addressing growth needs, Sidney's budget is explicitly designed to "maintain progress towards the objectives of the Comprehensive Plan." The City has undertaken capital projects, such as downtown streetscape and utility improvements that explicitly conform to the Plan's recommendations. Furthermore, the City tracks and communicates the status of implementation of the 1997 and the 2002 Plan in its popular budget.

3. Operating Budget

The City of Sidney accounts for its operations via a General Fund, two Capital Projects Funds, eight Enterprise Funds, and 33 Special Revenue or other funds. The General Fund accounts for those unrestricted revenues available for general administration and core governmental services. Special Revenue Funds are used to account for proceeds generated by specific sources that are restricted in their use. Enterprise Funds generally account for self-sustaining activities (water, sewer, solid waste, etc) that recover their costs primarily through user charges.

As an input to the community planning process, the City's operating revenue and expenditure trends are summarized here. The annual operating budget provides a context for prioritizing the delivery of Sidney's City services as they relate to the community's evolving goals and objectives. Operating budget totals exclude internal transfers, capital improvement funds, and reimbursements.



a) Revenues

For the purposes of this report, revenues supporting Sidney's General Fund and various governmental funds are combined in order to better understand the overall sources of Sidney's operating income. The 2008 Comprehensive Annual Fiscal Report (CAFR) modified accrual accounting is used as a baseline in this analysis, since 2008 is the most recent year for which audited data is available.

Sidney derives the largest share of its governmental revenues from local taxes, which accounted for approximately 67.3% of the City's operating revenue stream in 2008, of which 59% is from the collection of income tax. The income tax constitutes the primary source of local tax revenues, generating \$12.6 million out of the City's total 2008 tax-generated revenues of \$14.3 million. Since only a small share of local property tax revenues are allocated to the City (with the remaining portion targeted to schools), the City government only generates a small portion (6%) of its funding from property taxes. According to Census data, Sidney residents' incomes continue to lag behind those of their neighbors. The lack of estate housing, shopping, and cultural amenities may be hurting the City's ability to capture higher-income households, thereby impacting on its income tax base.

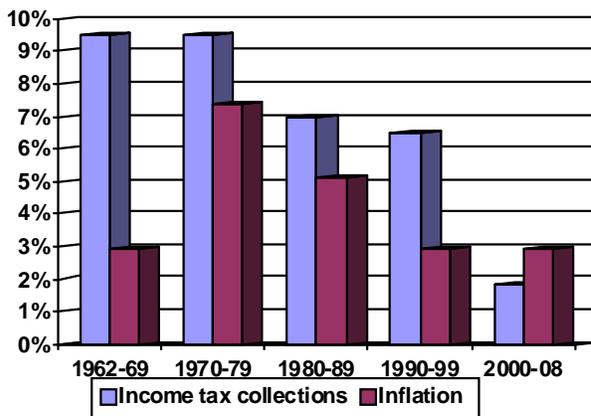
This tax revenue does include some income re-distributed from State sources, including inheritance, beer & liquor, and cigarette taxes. Motor vehicle license and gasoline excise taxes accounted for 5.3% of the City's total governmental revenue stream. These revenues are dedicated for use by street and highway funds. Other inter-governmental revenues and grants account for 12.9% of the City's income. Among largest sources of inter-governmental revenues are Community Development Block Grants (CDBG) and other federal grants targeted for community development. A portion of CDBG monies (including revenues generated through the City's CDBG Revolving Loan Program) have been used to fund the Downtown Streetscape Program, helping the City meet its 1997 Comprehensive Plan objectives for downtown reinvestment.

Income Tax

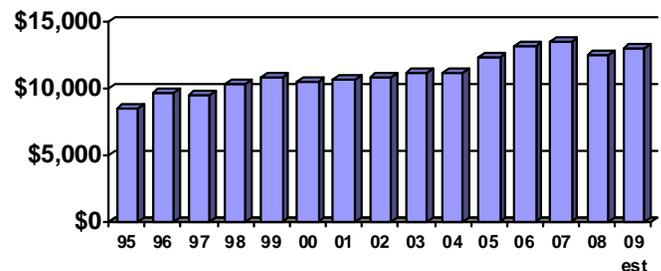
Until this decade, the history of the City of Sidney's municipal income tax was one of consistent "real growth". Real growth is measured as the growth in income tax collections in excess of inflation. The concept of real growth is important because this is the source of funding for an expanding population base and increased demands for City services. For instance, in the 1960's income tax collections grew at an average 9.5% per year, while inflation was 2.9% per year. So, the real growth during the 1960's was 6.6% per year (9.5% less 2.9%).

Chart 1 illustrates that there was positive real growth in each of the past four decades (6.6% in the 1960's; 2.1% in the 1970's; 1.9% in the 1980's; and 3.6% in the 1990's). This positive growth pattern has been different so far this decade. In 2000 through 2008, income tax collections increased by only 1.8% per year. Meanwhile, inflation was about 2.9% per year. This means that inflation outpaced growth in income tax collections during that period.

**Chart 1: Income Tax Collections:
Average Annual Growth vs. Inflation**



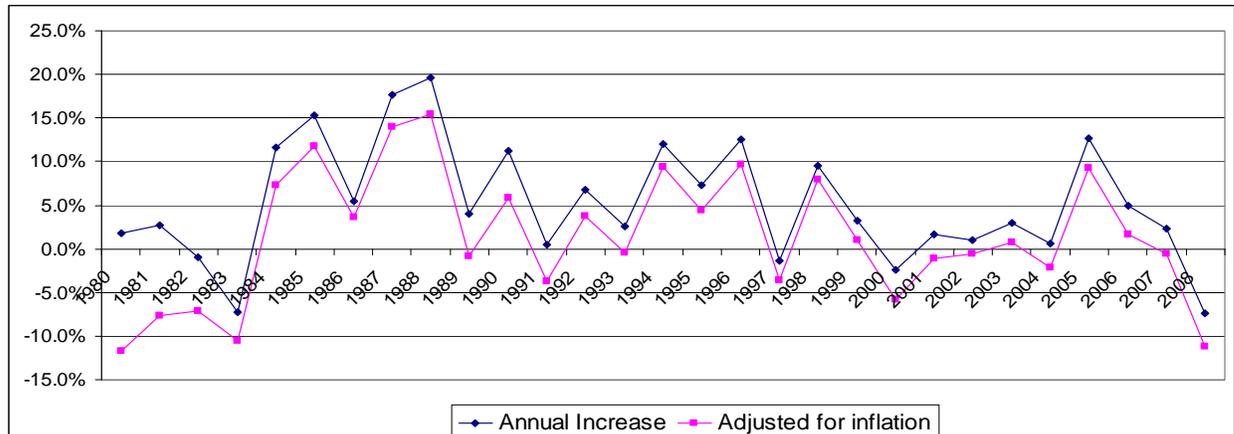
**Chart 2: Income Tax Collections
1995 - 2009
(in thousands \$)**





Income tax collections declined 7.4% from 2007 to 2008. During 2008, the effects of the national recession were felt locally as taxable income declined 7.4% from the prior year. This decline was caused by rising unemployment, which decreases employer withholding payments, and declining business net profits. Taxes on business net profits is the most volatile source of income tax collections and traditionally has been subject to upward, as well as downward, swings from year to year.

The last decline in income tax collections of this magnitude dates back to 1983. In that case, the next two years followed with a strong recovery. Generally, there tends to be a recovery year after a period of sluggish tax collections as business profitability and employment rebounds. See Chart 3 below for a chart analyzing the change in annual income tax collections since 1980 (both in nominal and real terms).



Property Tax

Sidney’s property tax revenues increased at the rate of 2.5% per year in nominal dollars during the 2002 - 2007 periods. Tax revenues are a function of several factors, including real and personal property assessments and the tax rate structure.

The City’s share of the property tax levy is 0.26% (2.6 mills) of assessed value. Another 0.6 mill is raised to fund the police and fire pension liability. The combined 3.2 City millage represents just 5.2% of the total 61.31 mills levied on residents of the City. The Sidney School district receives 48.31 (78.8%) of the mileage, with the remainder distributed to the County and special taxing districts.

Sidney’s real and tangible property assessment base decreased from \$440,544,340 in 2002 to \$376,375,950 in 2008. The loss of valuation is primarily a result of the state-mandated phase-out of tangible personal property taxes. This loss is being reimbursed by the State of Ohio through 2010.

State Local Government Fund

Another ongoing revenue issue has been uncertainty surrounding a very important source of income, the State of Ohio’s Local Government Fund (LGF), which provides about \$1 million of state-levied-shared taxes for the City’s General Fund each year. The State, in an effort to balance its own budget, froze the level of distributions from this LGF to local governments from July 2001 to January 2008. Beginning in January 2008, the freeze was lifted and the Local Government Fund now receives a designated percentage of state tax revenues and will increase or decrease based on changes in state tax revenues.

b) Expenditures

Operating Expenditures: Total operating governmental fund expenditures totaled \$19.5 million in 2008, the latest year for which expenditure data is available at this time. This includes \$15.5 million for General Fund expenditures, such as general government, police, fire, judicial services, parks and recreation, and community development/environment. For the purpose of this analysis, water, sewer, solid waste and other self-supporting operating funds are not included because of their separate function as Business-Type or Enterprise funds.



General Government accounts for about 9% of Sidney expenditures. The City does not allocate a specific internal budget for economic development, which is delegated in part to a county-wide agency and the Chamber of Commerce. Approximately 58% was spent on safety services (police & fire) and judicial activities. Parks & recreation account for 7% of governmental expenditures, while another 7% is allocated for street repair and maintenance.

Special and other fund expenditures have also trended downward. However, several of the special fund appropriations vary significantly from year to year because of their reliance on the administration of grant funds that vary with application cycles. Expenditures for several of these activities fluctuate wildly. Perhaps the most volatile is Community Development, funding for which depends on receipt of Community Development Block Grant (CDBG) monies allocated each year by State government.

4. Capital Improvements & Infrastructure

Capital improvements, infrastructure and equipment are examined separately from the operating budget because they provide an indication of the long-term needs and resources within the community. Commitment of long-term resources is considered an investment in the community's future. Capital expenditures are an important investment in the physical health of the City and act as an "insurance policy" against future infrastructure problems.

a) Capital Project Planning

The City prepares a Five-Year Financial Plan that is updated annually. This plan determines the availability of funding for all capital and operating needs anticipated within five years and is the basis for capital project budgeting through Capital Improvement Plans (CIP). Capital projects and purchases of at least \$10,000 are funded primarily through the Capital Improvements Fund, Water Reserve Fund, and Sewer Improvement Fund.

The City's CIP has allocated a total of \$24.9 million for capital projects (other than water, sewer, and transportation) during the 2009-2013 periods, for an average of about \$5.0 million per year. There would be an additional \$4.8 million per year dedicated to the Water Reserve Fund (most of which is for the water source project), an average \$500,000 per year for Sewer Improvement Fund expenditures, and an average \$130,000 per year for Transportation Improvement Fund. Therefore, capital expenditures were anticipated to total \$40.3 million during the 2009-2013 period, or averaging \$10.4 million per year. This compares with a 2000 actual expenditure of about \$6.7 million.

Sidney has dedicated funding for capital projects that are targeted to meet specific objectives in the *Comprehensive Plan*. For example, the City allocated \$2,729,585 in the 2001 budget for the Downtown Streetscape program. The monies were used to replace aged water & sewer infrastructure, install storm sewers, install pavers & new lights, and bury utility wires that reduced the aesthetic quality of downtown. The City states that these actions help "satisfy Comprehensive Plan strategies #1a ... and #3c" relating to downtown revitalization. Another \$50,000 for extending the City's walkway/bikeway helped satisfy Comp Plan objective #3f, and so on.

b) Capital Project Funding by Source

The 2009-2013 Capital Improvements Fund (CIF) generates a large majority of its revenue from income taxes. The City's policy is to transfer 80% of income tax collections to the General Fund and 20% to the Capital Improvements Fund. Therefore, as income tax revenues decline, less overall resources are available for maintaining and improving the City's basic infrastructure. At the same time capital costs are increasing at a rate equal to or higher than inflation. A small portion (approximately \$108,000 annually) of the curb and gutter repairs (accounted for in the Capital Improvements Fund) is now funded by a newly enacted \$5 license fee beginning in 2009.

Other sources of CIF revenues are additional transfers from the General Fund, grants, donations, and investment income. The City also utilizes debt to finance major improvements.



c) Capital Expenditures

During the period from 2009-2013, the largest amounts of Capital Improvement Fund expenditures are allocated for streets & highways, accounting for 59% of total capital expenditures. Stormwater improvements accounted for 2.1%, parks 5.6%, fleet 8.5%, and debt service 15.8% of total expenditures for CIF fund. The remaining percentages are utilized for a variety of other capital needs including traffic improvements, bridge projects, cemetery, airport, and facilities improvement.

The City's financial policy requires a minimum fund balance of 10% in the CIF to finance emergency needs.

The City has a Standard & Poor's AA long-term bond rating. The City has a relatively low debt burden, but it is unclear what long-term infrastructure requirements may result in future financing needs beyond the 5-year CIP horizon.

5. Debt: Debt Capacity

a) **Tax-supported "net debt"**: Ohio law restricts the amount of debt that a City may issue. The aggregate principal amount of unvoted "net indebtedness" may not exceed 5.5% of the assessed valuation for property tax purposes of all real and personal property located within the City. At December 31, 2008, that debt ceiling was \$20.7 million. Certain debt with a repayment source other than general tax revenues, is excluded from the definition of net indebtedness. Under that definition, the City has approximately \$9.0 million of net indebtedness as of December 31, 2008, leaving a legal debt margin for unvoted debt of approximately \$11.7 million.

An additional statutory limitation restricts total indebtedness – both voted and unvoted – to 10.5% of the real and personal property assessed valuation. That limitation would restrict total City net indebtedness to \$39.5 million, leaving a total debt margin of approximately \$30.5 million.

The City of Sidney Debt Policy further restricts the debt that the City may issue. While state law permits unvoted "net debt" up to 5.5% of the property tax assessed valuation, the City policy restricts such debt to a maximum of 3.5% of assessed value. The City's unvoted "net debt" is expected to be at 1.8% of assessed value at December 31, 2009, well within the City's policy.

b) **Revenue-supported debt**: The City's Debt Policy offers separate debt capacity guidelines for revenue-supported debt, including G.O. debt principally supported by a revenue pledge. The City Debt Policy limits such debt by requiring that the issuing fund be able to meet certain ability-to-pay measures. Specifically, the debt coverage ratio should be greater than 1.5. The Debt Coverage Ratio measures the City's ability to make the required principal and interest payments.

The City of Sidney's revenue-supported debt consists of bonds issued to construct infrastructure for the water system and sewer system. At December 31, 2008, the Water Fund Debt Coverage Ratio is not applicable because of the use of Bond Anticipation Notes (BAN's) during the design and construction of the new Water Source. Due to the large size of the Water Source project, it will be several years before the Water Fund generates sufficient debt capacity to bond-finance the project. At December 31, 2008, the Sewer Fund Debt Coverage Ratio was above 1.5, signifying capacity to make the required debt payments. No new self-supporting Sewer Fund debt is anticipated in the 2009-2013 Five-Year Plan.

6. Economic Development & Tourism

Sidney does not fund a dedicated economic development officer, nor does it maintain a discretionary fund for this purpose. However, the City does maintain several activities in support of economic development. Sidney provides for a Revolving Loan Fund out of CDBG grant monies. This fund provides low-interest loans for businesses within targeted areas of the city. While several outstanding loans remain, there have been few new loan applications in recent years. It is not clear that this program provides the incentives or resources most appropriate for downtown revitalization, which is one of the goals of the program. Sidney maintains a municipal airport, possibly as an amenity for attracting and retaining business. Sidney provides CRA tax abatements and has an enterprise zone



for manufacturing. The City also has a 6% bed tax, with 25% of proceeds available to the CVB for tourism marketing. However, this is the only portion dedicated specifically for tourism uses.

These and other fiscal incentives should be measured against a return on investment (ROI), in terms of jobs, downtown or plant reinvestment, income tax revenues, or other factors consistent with the city’s goals for economic development. Based on the results of ROI analysis, there may be opportunities to amend or replace the City’s development incentive policies to maximize return. Alternative programs or policies (such as tax increment financing districts) will be explored later in this plan.

7. Communication

The City of Sidney provides an exceptional example of communicating complex budget issues and relating them to the planning process. The City’s popular budget provides a clear and concise summary of City financial status and goes the extra step of linking municipal programs and expenditures with clear objectives. Many of these objectives relate back to the 1997 Comprehensive Plan and implementation of the Plan is explicitly tracked as part of the City’s budgeting process.

Given the high standards set by the City, it is appropriate that the City also ensure that it is setting benchmarks and standards for measuring the success of its programs, especially those relating to planning or economic development initiatives. Benchmarking will ensure that the City is maximizing the fiscal and economic return on investment from these initiatives.

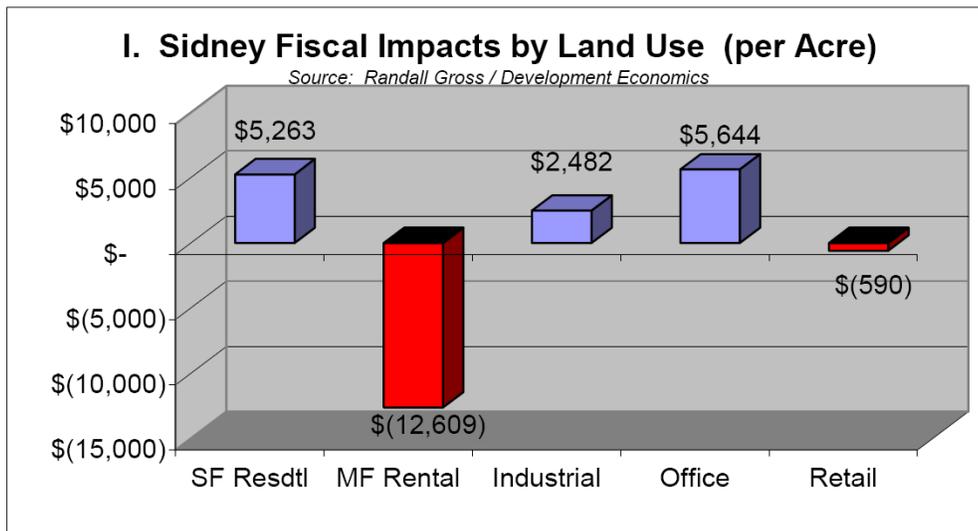
H. Net Fiscal Benefits of Development

This report summarizes the findings from an assessment of the net fiscal benefits of development by land use type within the city of Sidney, Ohio.

1. Net Fiscal Benefits by Land Use Type

The chart shown below summarizes the net fiscal impacts per acre of major land uses within the city of Sidney. The “net” fiscal benefits result from revenues (such as taxes) generated annually to the City of Sidney, less the annual costs (such as City administration, O&M, police, fire, parks, etc) generated by each type of development.

Chart- I. Sidney Fiscal Impacts by Land Use





In general, residential uses produce a fiscal net benefit to Sidney in that the revenues generated are generally higher than the costs for supplying services. The exception is in multi-family development (including senior housing), where higher-densities result in higher costs to the city on a per-acre basis while revenues, such as those derived from property taxes, are insufficient to cover the higher costs. Commercial and industrial uses generate a relatively high fiscal gain to the city, primarily because of the benefit of income taxes. These uses also produce lower per-acre costs for providing city services. For example, office and industrial tenants require less park and recreation use than do households. Sidney's retail uses fail to recoup their costs in part because the city's retail wages are lower than industrial and office wages and, therefore generate lower income tax benefits to the City.

On a per-unit basis, single family generates a net fiscal benefit of \$517 per year to the City, while multi-family results in a net annual loss of \$1,000 per unit. Office generates the greatest fiscal return on a per-square-foot basis, at \$1.00. Industrial space generates a net fiscal benefit of about \$0.44 per square foot. Lagging behind both office and industrial is retail, generating a net loss of \$0.49 per square foot. Despite the relatively high tax revenues generated by retail space, retail also generates higher fiscal costs per square foot than either office or industrial.

2. Net Property Tax Benefits to Schools by Land Use Type (per Acre)

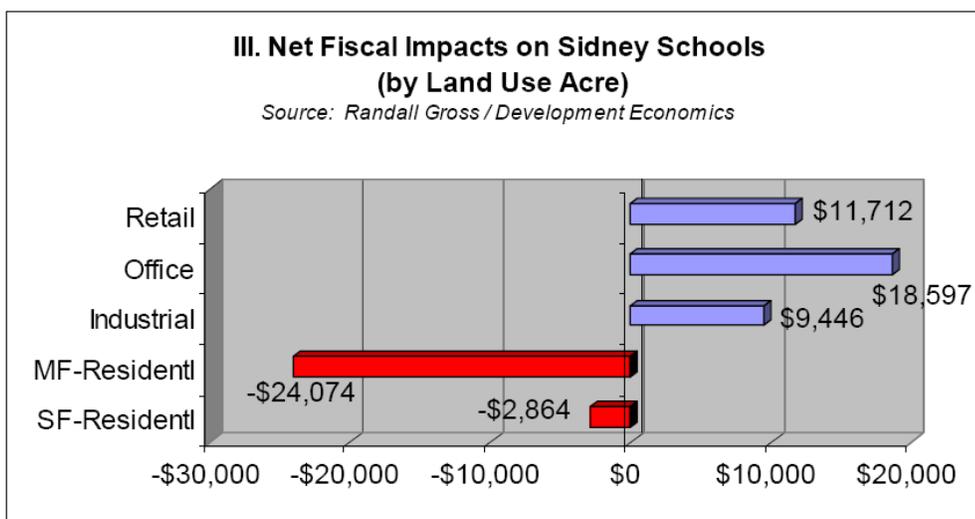
Sidney schools generate a portion of their income from local property tax millage. The net benefit (or property taxes) to schools from each type of land use was also determined. In this case, costs are generated only by residential uses, the source of school enrollment. Commercial and industrial uses do not generate students and, as a result, help cross-subsidize school operating costs.

The result of the net benefits analysis for schools is summarized in the following chart. Both single and multifamily residential uses fail to recoup their share of the cost for operating schools. Much of that benefit is provided by non-residential uses. *It is important to note while multi-family uses generate a negative fiscal return to schools, there are other types of civic and economic benefits from affordable housing, including a supply of housing for workers in support of office, industrial, and retail development.*

This analysis does not account for income taxes that would only serve to further boost commercial and industrial uses over residential ones in generating a net benefit to local schools.

3. Net Impacts of North End Utility Extension

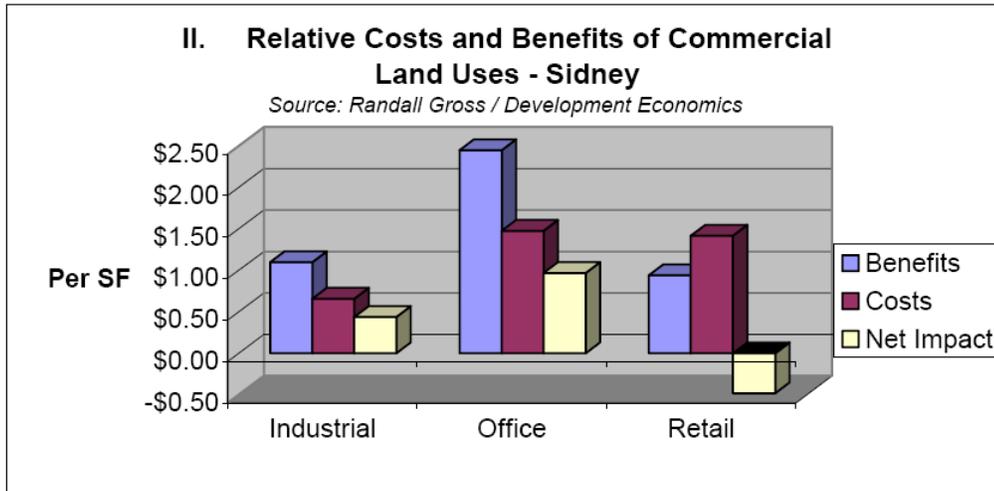
Chart- III. Net Fiscal Impacts on Sidney Schools





As part of the comprehensive planning process, the City of Sidney is considering extension of water and sewer utility services to areas in the northern portions of the City. These utility lines would help accommodate potential residential growth in that portion of Sidney. Given the City's interest in encouraging higher-cost housing, it is assumed that the residential development in the north end would have average prices at the **higher-end** of Sidney's existing price range (\$120,000 or above). The demand for these higher-priced units has not been tested as of yet.

Chart- II. Relative Costs and Benefits of Commercial Land Uses



The up-front capital costs of extending those utilities has been calculated by the engineers on the planning team. This fiscal analysis examines the *annual* net benefits to the City of the residential development that could occur as a result of having the new utility services.

Again, it is assumed that annual costs for providing water and sewer services would be recovered through tap-in fees and usage charges. Therefore, the annual net utility service costs should be zero. However, the addition of residential development units (estimated to total 804 at full build-out) within a low-density (1.4 DU per acre) zone would generate fiscal benefits and costs to the City and the School District beyond just utilities.

An analysis of these costs and benefits through the fiscal impact model suggests a net annual benefit of \$815 per DU to the City of Sidney, for a total impact of about \$650,000 per year in net revenue growth. However, these same units would generate demand for school services that would require additional cross-subsidization from other uses or direct subsidies through the State revenue sharing formula. Each residential unit would result in a net negative impact of \$340 per year to the schools.

Table 1. Basic Annual Fiscal Impacts of North End Utility Extension

<u>Jurisdiction</u>	<u>Dwelling Unit</u>	<u>Factor</u>	<u>Net Annual Benefit</u>
City of Sidney	804	\$815	\$654,993
Sidney Schools	804	\$(341)	\$(274,386)

As shown in Table 1 above, the utility extension would result in a net annual impact to schools of almost \$275,000, assuming there is no cross-subsidization. This negative impact could be ameliorated, however, through planning that allows for a balance of uses and/or mixed-use development. Again, this assumes a "best case" scenario where residential development would income primarily higher priced units that attract higher-income residents. Anything below these standards would result in lower net benefits to the City and higher net loss to the schools.



3. Summary

Residential property tax revenues do not support the cost of operating Sidney's schools. These operating costs are also cross-subsidized by other land uses (aside from intergovernmental transfers and other revenues). Multi-family residential uses also fail to generate sufficient revenues to recover the cost of City services to those units. While a diverse, affordable housing stock is essential, there is also a need to attract a strong revenue stream to support local schools and services. Commerce and industry provide income and property tax revenues without generating a strain on local schools. In extending utilities, the City should consider the fiscal benefits of a balanced land-use planning strategy, especially as it impacts on local schools.

I. Methodology & Assumptions

These analyses tested the annual, stabilized costs and benefits of each of the typical land use types in Sidney. The net fiscal benefit (revenues minus costs) generated by each land use was determined.

1. Marginal Revenue and Cost Impacts

The specific marginal revenue and cost for typical administrative line items in the City's budget were determined per employee or per household for Sidney. These factors were then revised to reflect specific type of land use, such as retail, office, and different densities of housing. The factors were then translated into a per-acre, per-square-foot, or per housing unit measure.

2. Other Revenue and Cost Impacts

The net benefits of land uses for other non-administrative functions were determined on a case-by-case basis. For example, police and fire department costs were determined based on analyses of the deployment of City forces and the impact of various land uses on manpower requirements. Street maintenance costs were determined based on trip generation factors for each land use, as a percentage of the total trips. This ratio was then applied for each land use to the total street maintenance budget. Schools impacts were determined based on student generation factors and the *local share* of per-pupil costs. Parks and other programmatic function impacts were also determined separately.

3. Infrastructure Assumptions

Infrastructure impacts are normally determined in several different ways. First, there are the capital costs associated with new development or redevelopment on-site. Second are off-site capital costs resulting from the impact of development. Third are ongoing annual maintenance costs associated with both the on-site development and its impacts off-site.

a) On-Site Capital Costs.

These costs can include new streets, structured or surface parking, stormwater, and other improvements. For this analysis, it is assumed that these capital costs would be 100% paid by the developer (or are otherwise not included).

b) Offsite Impacts and O/M Costs.

The off-site capital costs associated with new development, if one-time costs, are also excluded from this analysis in order to provide a general city-wide measure. However, recurring impacts such as maintenance and replacement, resulting directly from the site's development, are captured in the fiscal impact analysis. Regular maintenance and replacement costs associated with a stabilized program are included on a marginal basis, similar to other types of operating costs. However, any additional road & street costs above and beyond those averages would need to be determined on a case-by-case basis with engineering input and added into any fiscal impact analysis for a specific project, by type of cost.