

REGIONAL ECONOMIC DEVELOPMENT (RED)

COMMITTEE REPORT

Overview

How a regional economy works is not something people dwell upon in their everyday lives. People certainly understand their jobs and how much is in their pay check, they understand how to operate their business or conduct their profession, and retirees understand how much they receive from investments and social security. But the degree to which we are dependent upon each other for our livelihood and how deeply we are tied together as a region is a mystery for most of us.

Local, national and global economies are all driven by the same three (3) key factors:

- 1) the amount of goods and services exported and imported (balance of trade)
- 2) the transfer of money in and out of a region (government & investments)
- 3) the amount of population and income (trade)

The first of these economic drivers is often referred to as the “industrial base” of a region. In our local economy, agriculture, manufacturing, and some new service industries represent most of the regional exports, while retail goods and energy represent the highest volume imports into the region. As a rule of thumb, regions that import more goods and services than are exported are economically distressed and do not create quality jobs and wealth for people living in the region.

Governmental expenditures and private investment income can also drive a local economy. These are referred to as by economists “transfer payments” and can best be explained by the example of social security payments transferred from the national treasury to individuals. Other familiar examples include National Guard or military units stationed in an area or federal loans or grants for students attending post secondary institutions in the region. Private investments, dividends and interest payments also impact personal income and expenditures in a region.

The third driver of the economy is the number of people living and trading in a region and their income through employment wages. Simply said, how many people buy goods and services in the region directly impacts the size of the local economy. Everything from how many grocery stores to how many medical doctors is determined by how many people live and trade in a region. In this context, visitors (tourists) to a region can be viewed as temporary increases in population and impact the local economy by increasing purchases of local goods and services.

Through a series of meetings in communities across the region, the regional economic development committee members listened to the economic hopes, successes, problems, frustrations and opportunities of people living in the region. Our major finding is that we share a common vision but we also share a common problem. We want economic opportunity (good jobs) for ourselves and for our children. We want our communities both large and small to be quality places to live. But the loss of population in the region especially losing our youth threatens everything we are today and everything we hope to be in the future.

Vision Statement

“Increase the population of the region by working together to develop a stronger more diversified regional economy with vibrant, quality communities that are perceived as good places to live.”

Findings

- 1) The loss of population, especially the loss of youth is a significant threat to the social fabric and economic vitality of the region. It threatens the stability and future existence of public institutions and private businesses.
- 2) Significant differences of opinion exist among people in the region regarding the need or desirability of population growth.
- 3) There is little recognition of the region being economically tied together. Cities think of themselves as separate and independent entities that must compete with each other for survival. The region lacks a sense of success by winning together. (A win by one is a win for all.)
- 4) The region has emerging economic opportunities in alternative energy production (bio-mass and wind energy).
- 5) Most of the communities in the region are already working to strengthen their local economy and increase their local population. Common work elements among the cities are in the areas of affordable housing, city infrastructure, community appearance, and developing business/industry land sites.

The charts and information on the next page tell a story about the region that most people already understand. With the notable exception of the decade between 1990-2000, population in the region has declined for 90 years. There are fewer children and youth living in the region as demonstrated by the decline in K-12 enrollment. The number of people employed has increased while the population of the region declined causing labor force shortages for business and industry.

While not a finding of fact by the committee, there has been serious discussion within the committee as to how the region is currently perceived as a place to live and conduct business. Positioning the region in the market place as a geographic location with a desirable lifestyle that offers economic and business opportunities is an important consideration in the retention and attraction of youth and future workforce.

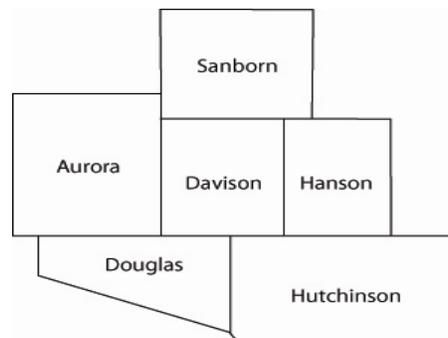


Figure 1: The region includes Aurora, Davison, Douglas, Hanson, Hutchinson, and Sanborn Counties in South Central South Dakota.

Historic Population Trends

Totals and Percentage Loss from Previous Period

Census +/- %	Six County Region
1920	55,932
1970	43,918 -21.5%
1980	41,607 -5.7%
1990	38,474 -7.5%
2000	39,146 1.7%
2007 (est.)	38,037 -2.8%

*Regional School District Enrollment

Year	K-12 Enrollment	
1994	8,713	
2007	7,103	
Decline	-1,610	-18.5%
Yearly Average	-123	-1.4%

* Average from 19 School Districts in a six (6) County Region

Regional Labor Force Statistics

Year	Labor Force	Employment	Unemployment	Rate
1990	18,615	18,150	465	2.5%
2000	20,685	20,685	515	2.5%
2008	21,595	21,005	590	2.7%

* Department of Labor data in a six (6) County Region

Short Term Recommendations

1) Establish an on-going dialogue among regional communities regarding growth and development.

Introduction:

The committee's regional outreach in the form of community meetings in various communities in our six-county area led to several reoccurring themes – including the value of gathering as a region to discuss topics that impact our economic future. Many regional community leaders expressed appreciation for the efforts to work cooperatively in discussing how to overcome the loss of population and ways we can work together to bolster our need to stay viable as a region.

Justification:

The *Regional Development Association* was identified as a significant way of helping individual communities and the region keep their attention on creating economic activities that are needed for sustainability in the region. A regional approach to a economic development is not a new concept. This organization can provide focus to regional communities in the areas of business recruitment, retention, expansion, entrepreneurship, and workforce development. In addition, the presence of a regional resource provider can assist with community preparedness, and act as an advocate on a state and national basis.

Goal:

The goal of this recommendation would be to invite community/county leaders from the six-county area to join the Regional Development Association in the next six months focusing on economic opportunities in member communities while continuing to discuss common community issues impacting the region.

- ✓ Proposed Timeline: First Meeting – Fall, 2009
- ✓ Project Champion: Regional Development Association
- ✓ Funding: Secured through regional business partners and communities
- ✓ Further Study: Utilize District III in sub-regional economic planning.

2) Create an economic plan for the region.

Introduction:

Many areas in our state have engaged in the development of regional economic development plans and strategies. Recent strategic alliances have developed along the I-29 corridor, the Black Hills and the Aberdeen area.

The committee learned about the regional planning effort undertaken by Black Hills region regarding the assessment of current regional resources, identification of potential economic catalysts, and the establishment of an economic growth plan driven by the private sector.

Justification:

Currently, no regional economic growth plan exists within the six-county area. While the committee recognizes the development of an economic growth plan for the region would be helpful in targeting limited resources, two issues continue to challenge the committee: (1) What defines our regional boundary? and (2) Where do we find the resources to hire an outside consultant?

Goal:

The goal of this recommendation would be to invite the region to participate in the development of an economic growth plan to be completed in the next 12 months. The plan would be utilized by the region to strategically identify business clusters and market our region to this business segment.

The committee's research identified a draft request for proposal (RFP) to create an economic growth plan. This RFP consists of five parts: 1) Economic Assessment & Preliminary Analysis; 2) Strategic Plan; 3) Marketing Plan; 4) Implementation Plan; and 5) Evaluation Tools.

Opportunities for potential funding sources have been preliminarily identified but would require buy-in from those with skin in the game.

- ✓ Proposed Timeline: Funding in Place/RFP Awarded – Summer 2009; Study Completed – Fall 2009; Implementation- 2010
- ✓ Project Champion: Mitchell Area Development Corp.
Regional Development Association
Newly Created Regional Business Alliance
- ✓ Funding: To be Identified

3) Create a quality image of the region through marketing, branding and advertising.

Introduction:

A common reoccurring theme in many of the committee's discussions and community site visits was the topic of improving or updating our region's image as a place that is entrepreneurial, ripe with new opportunities for growth while maintaining core values of hard work and clean living – in a statement “the way life was meant to be lived”.

Justification:

In this era of the brand, the committee's recommendation is to brand the region. The creation of a brand is more than a logo, slogan or nice looking advertisement. A regional brand is what we want people to think of us when they come to visit us for a day, week, month or a lifetime.

Goal:

Hire a consultant to develop a brand and marketing plan for our region — to raise our region's profile nationally as a destination for business, talent and visitors.

Specifically, the goal will be to work with a consultant over the next 12 months to conduct research among internal and external stakeholders regarding our current attitudes and perceptions; create a brand strategy; develop a marketing and communications plan focused on economic development strategies; and implement the brand region wide.

- ✓ *Proposed Timeline: Organization- June 2009
Brand Development and Implementation – June 2010*
- ✓ *Project Champion: Regional Development Association*
- ✓ *Funding: Regional Public/Private Sources*

4) Foster a Culture of Entrepreneurship in the Region and Assist High Growth Entrepreneurs.

Introduction

The phrase “entrepreneurial culture” refers to fostering the attitudes of self-reliance and perseverance. Put another way, it simply means individuals believing that they are responsible to create their own future and their own employment and not rely on others for jobs or financial security.

Entrepreneur’s independent spirit and individual achievement are celebrated as role models rather than being resented for their success or affluence. The culture is forgiving towards those who try and fail and does not humiliate them or dampen their desire to try again.

Entrepreneurs have talents and skills in the areas of strategic and personal visioning, social networking, financial and technological literacy, calculating risks, opportunity recognition and the ability to constantly learn. These attitudes, talents and skills are developed within families and are strengthened within the education system.

Justification

Identifying and assisting high growth entrepreneurs that live in the region can produce significant regional economic development. Distinguishing between assistance for small business owners and fostering high growth entrepreneurs is key to this regional development approach. Small businesses play an important economic role in every community and providing them with programs that support their development needs to continue. However, individuals and small business that are involved in innovation and/or have the desire to grow are the emphasis of this recommendation.

Goal: Enhance the entrepreneurial environment and support growth oriented entrepreneurs.

Actions that may help foster an entrepreneurial culture in the region include:

- 1) Public recognition and celebration of successful Entrepreneurs in the Region including a telling and publicizing of their personal business stories.
- 2) Support of K-12 business and economic education including existing volunteer programs in business leadership and educators in industry.
- 3) Support for post secondary entrepreneurship education at regional institutions including Mitchell Technical Institute (MTI) and Dakota Wesleyan University (DWU) including adult education and utilization of the Kelley Center for Entrepreneurship at DWU.

Actions to assist high growth entrepreneurs in the region include:

- 1) Greater access to equity and risk capital through the establishment of a regional Angel Investing and/or Venture Capital networks.
 - 2) Generating regional interest in entrepreneurship through social networking of inventors and entrepreneurs.
 - 3) Providing a network of easily accessible information regarding existing programs and assistance for small business and entrepreneurs.
- ✓ Proposed Timeline: On-going
 - ✓ Project Champion: Kelley Center for Entrepreneurship (DWU)
Mitchell Area Development Corporation
Regional Development Association
School Districts
 - ✓ Funding: Partially in place from sources noted

5) Grow the Economic and Industrial base of the Region through Retention, Expansion and Recruitment of business and industry.

Introduction

One of the most efficient and effective ways to grow the regional economy is by keeping and growing existing business and industry that are already here and by adding new industries that are relocating or expanding from other geographic regions. The existing organizations in economic development and programs at both the state and local level are currently focused on this retention, expansion and recruitment work.

Justification

There are several key factors in order to be successful in this work including:

- 1) Maintaining a positive business environment including taxes and regulation.
- 2) Access to capital through private as well as state, regional and local programs.
- 3) Local land use planning, zoning and infrastructure development that is specifically designed for the needs of business and industry.
- 4) Maintaining positive communication among business and industry leaders and elected community leadership.

Goals: The committee recommends the economic development goal of increasing employment in the region in export based businesses by five percent (5%) over the next decade. This represents an increase of approximately 1000 new jobs in the region over the next ten years or an average of 100 new primary export based jobs each year for the next ten years.

It is believed that this primary job creation goal will help accomplish another committee goal of increasing regional population by 2,000 more people by the year 2020. This represents a five percent (5%) population increase over the next ten (10) years within the six county region. This goal can also be easily understood as attempting to add 200 people to the regional population each year for the next ten years.

- ✓ Proposed Timeline: On-going
- ✓ Project Champion: Mitchell Area Development Corporation
Regional Development Association
- ✓ Funding: Currently in place from various sources

This on-going work should at the very least be maintained at current staffing and funding levels and increased to include staff support for regional economic work.

Long Term Recommendations (5-10 Years)

1) Recruitment and Development of Regional Workforce

Introduction

One of the most serious challenges to economic growth of the region over the next decade is the workforce issue. This issue is understood by combining the double impact of a significant aging population in the region (and the nation) that is leaving the workforce, with a significant decline in the number of children and young adults in the regional population that are no longer available to replace older workers. No business and industry can stay or locate into a region that can not meet its human resource needs and workforce recruitment becomes a key factor for the growth of the regional economy.

Justification

Workforce development is defined by the educational attainment, technical skills and training of the regional workforce. A smart, educated and trained workforce is in demand and required by business and industry employers. The regional workforce issue is then understood to be not only the number of people available to work but also the degree to which these people have the education and skills required by employers.

Goal: Enhance Workforce Recruitment and Development Efforts

Strategies for Workforce Recruitment include:

- 1) A regional “Come Home” program similar to the state Dakota Roots project implemented in the region. Alumni of the regional School Districts, MTI and DWU could be contacted and invited to come home. A regional employment data base would be used to match alumni with employment opportunities.
- 2) Assist local employers in accessing the national employment market place.
- 3) Effective “one stop” web based community information assistance to people considering a move to the region for employment opportunities.
- 4) Increase traditional student enrollment at the regional post secondary institutions of DWU and MTI.

Strategies for Workforce Development include:

- 1) Work with school districts and the post secondary institutions especially MTI in workforce readiness and technical training.
- ✓ Proposed Timeline: 10 year on-going process
 - ✓ Project Champion: Mitchell Area Chamber of Commerce
K-12 & Post Secondary Education Institutions in the Region
South Dakota Department of Labor

2) Consider Ways to Assist Regional Communities in Housing Development

Introduction

Affordable housing and the development of public infrastructure on tracts of land designated for residential development is already a strategic initiative in most regional cities. In higher growth urban centers, the private sector through an active residential market place addresses most of the housing development needs of the city. In rural areas the low demand for housing does not allow in most cases for the private market to function profitably.

Justification

However, the current mortgage default crisis triggered within the high growth urban centers spawned a world wide economic recession and is illustrative of the risk that can be involved financing housing. In addition, if large public infrastructure expenditures are required for housing developments, these public expenditures benefiting privately held property can cause political tensions within a rural community.

Goal: It is the recommendation of the committee to carefully explore ways in which a regional approach to community housing development could be useful in mitigating local housing politics.

- ✓ Proposed Timeline: On-going
- ✓ Project Champion: Regional Development Association
District III Planning & Development Assoc.
- ✓ Funding: TBA

3) Assist with Regional Alternative Energy Development

Introduction

The price and availability of various energy sources ranging from petroleum and natural gas to electricity will impact and change the regional economy over the next decade. Suffice to say that the region will be impacted by national energy policy decisions.

Justification

The region does have the potential to become a net energy exporter and is already engaged in the production of bio-fuels (ethanol and bio-diesel) and wind energy generation is next to come on line. While it is difficult at this point to know what other sources of alternative energy development including solar or geothermal will be produced within the region it is important to recognize that rural areas will be called upon as sites for national energy production.

Goal: It is the recommendation of the committee to include energy production as part of the regional economic development strategy.

- ✓ Proposed Timeline: On-going
- ✓ Project Champion: Regional Development Association
District III Planning & Development Assoc.

Acknowledgements

The fifteen (15) members of the Regional Economic Development (RED) Committee met more than a dozen times over the last six-months in order to educate ourselves regarding the state of our regional economy, reacquaint committee members on the strengths of this region's communities and determine a game plan for future economic growth.

While many of our committee members came to our early meetings representing their respective communities, committee members have now begun to see themselves as a regional force - embracing the concept of a success for one community is a success for all communities in the region.

The Committee wishes to recognize the leadership team of John Clarke, Bonny Culhane and Scott Kroger for their time and talents in keeping the committee focused on the committee's purpose – to seek a growth plan for the future of the region.

The Committee's co-chairs are grateful for the hard work and dedication of each of the fifteen committee members, along with the staff support provided by District III Planning and Development District, Mitchell Area Development Corp. and Regional Development Association who supported our efforts. Committee members and staff include:

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Lastly, the entire committee wishes to express special thanks to the community leaders of Parkston, Corsica, White Lake, Letcher and Woonsocket for their hospitality, great dialogue regarding opportunities and obstacles to community growth and insights into how we – as a region can work together to enhance economic vitality.