



# AUDIT OF ECONOMIC DEVELOPMENT

Recruitment & Expansion

## ABSTRACT

The City's economic development marketing & recruitment program lacks clear focus, which limits the effectiveness of businesses retention and expansion efforts. This audit recommends the development of an analytics-based marketing, recruitment, and incentive strategy. Also, refinement of policies and procedures and development of several reporting and monitoring solutions are recommended.

City Auditor's Office



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## Executive Summary

Honorable Mayor and members of the City Council,

We have completed an audit of the City's Economic Development efforts as they relate to business recruitment and expansion. Economic development helps the City attract and retain companies with high paying jobs for residents, and spurs economic growth leading to more revenue available for City services and infrastructure. The effectiveness of economic development efforts in the City depends upon having an impactful strategy, a strong program, and an appropriate policy for the purpose.

According to the National League of Cities (NLC), "economic development is the engine that helps cities grow successfully." Some benefits of a successful economic development program are:

- Increased Employment
- Increased Tax Base
- Economic Diversification
- Enhanced Standard of Living
- Self-sufficiency & Less Dependence on other Governments
- Enhanced Quality of Life for Citizens

## Salient Findings

- The City has identified seven target industry sectors for the purposes of Economic Development. We did not find any documentation explaining reasons for the selection of these target industry sectors. Also, the definitions of certain, selected target industry sectors are not clear. In addition to the seven target industry sectors, the policy identifies ten additional priority considerations.

There are two issues with this situation:

- 1) Naming such broad industry targets and priority considerations may hamper the clear measurement of objectives and obscure the City's economic development recruitment and expansion focus. This potentially hinders the City's marketing and recruitment efforts as the ultimate goal of the current policy is not clear. This is because the current policy encourages recruitment of businesses in many industries that may fall within either a target industry sector or an industry sector that is given priority. This circumstance creates confusion as to which marketing events and activities most directly align with the City's ultimate recruitment goals.
- 2) The City's current target industry sectors do not completely align with potential available growth opportunities identified during audit analysis using best practices. The above observations demonstrate that the City may be missing out on potential marketing opportunities where growth is possible. Additional factors that may need consideration including:
  - Inputs like workforce availability & development and housing opportunities; and
  - Outputs like quality of life for citizens and community wealth building.

Therefore, the City will benefit from hiring a professional economic development consulting firm to conduct a comprehensive analysis of the full regional economy to provide strategic guidance on target industry sectors and other economic development efforts most beneficial for the City.

- There are no clear performance measures laid out in the Tax Abatement and Incentives policy. Without clear measures, it is difficult to determine if the City's economic development incentives are meeting the objectives determined in the policy.

- The Chamber of Commerce’s Office of Economic Development Activity Reports do not clearly communicate their progress on all of the metrics laid out in the Program Agreement. Likewise, there does not appear to be a clear marketing and recruitment focus on the City’s targeted industry sectors, even when it is explicitly required by the Program Agreement. In addition, we did not find any documentation of communications explaining why the Chamber was not able to recruit businesses from the target industry sectors leads.
- Currently, the Business Retention & Expansion (BRE) Program only reports the date of a visit to a business, without giving any information about discussions that would identify the business’ needs and required assistance from the City. While business visitation is a driving force in a successful business retention and expansion program, measuring only the number of visits does not provide adequate detail on the outcomes of BRE activities. More comprehensive reporting would allow the City to analyze the effectiveness and efficiency of these activities and should include details about what was discussed, and follow-up actions taken.

Management has concurred with 8 recommendations and partially concurred with 2 recommendations made in this report. Also, the audit made one recommendation to the City Council. Management’s response is attached to this report in Appendix A. We appreciate staff’s cooperation during the audit. Please contact the City Auditor if you have any questions or need more information.

Sincerely,

Umesh Dalal, City Auditor

## Introduction

The City Internal Auditor is responsible for providing: (a) an independent<sup>1</sup> appraisal of City operations to ensure policies and procedures are in place and complied with, inclusive of purchasing and contracting; (b) information that is accurate and reliable; (c) assurance that assets are properly recorded and safeguarded; (d) assurance that risks are identified and minimized; and (e) assurance that resources are used economically and efficiently and that the City's objectives are being achieved.

The City Auditor's Office has completed a performance audit of the City's economic development activities.<sup>2</sup> We conducted this performance audit in accordance with generally accepted government auditing standards with the exception of standard 4.18 regarding documentation of audit staff's continuing professional education.<sup>3</sup> Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Management Responsibility

City management is responsible for ensuring that resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

## Audit Objectives, Scope, and Methodology

This report is intended to provide assurance that the City has an adequate framework to perform economic development business recruitment and expansion activities. Audit fieldwork was conducted during July and August of 2019. The scope of review varied depending on the procedure being performed. The following list summarizes major procedures performed during this time:

- Reviewed documentation to develop criteria including industry standards, best practices, law, regulations, policies, and procedures;
- Developed a process narrative to identify current control activities, which was certified by the Director of Economic Development;
- Interviewed key decision makers in the City's economic development activities including: members of the Economic Development Partnership Board, staff members of the Chamber of Commerce's Office of Economic Development, and the City's Economic Development Department;
- Analyzed regional industry clusters and compared the results to the City's current business recruitment efforts;

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<sup>1</sup> The City of Denton Internal Auditor's Office is considered structurally independent as defined by generally accepted government auditing standard 3.56.

<sup>2</sup> Activities reviewed include non-downtown business retention and expansion programs, marketing and recruitment efforts, and incentive administration and approval.

<sup>3</sup> This report was amended on February 15, 2022 to disclose this exception, the details of which were communicated to the City Council in a [Staff Report](#) publicly issued on February 11, 2022.

- Examined economic development activity reports prepared by the Chamber of Commerce’s Office of Economic Development and the City’s Economic Development Department; and
- Verified the accuracy of all economic development incentive agreement payments made in the last five calendar years (2014-2018).

## Background Information & Best Practices

The City of Denton encompasses 98.8 square miles and is situated north of the DFW metroplex where Interstates 35E and 35W intersect. It was incorporated in 1866 and is the seat of Denton County. North Texas Normal College, a predecessor to University of North Texas was founded in 1890 followed by Texas Woman’s University in 1903. The economic boom in Denton began in the 1960s with the completion of the Interstate 35 links between Denton and Dallas and Fort Worth. The initial economic development victories began with the arrival of Victor Equipment and Peterbilt Motors companies in the 1970s.

The City is presently inhabited by about 140,000 residents<sup>4</sup> and has experienced rapid population growth over the past two decades, adding about 58,000 residents. In 2018, the City had a median household income of \$52,000 and a majority (89.1%) of its population had graduated from high school or a higher institution.

Denton is a full-service city and owns its own electric, water, wastewater, and sanitation utilities. The City offers an extensive 4,000-acre park and open space system, which includes more than 75 athletic fields, 30 parks, 27 miles of trails, 10 facilities, 2 pools, a water park, a dog park, and numerous activities.

## Why is Economic Development Necessary?

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<sup>4</sup> Population estimate based on the US Census Bureau’s July 2018 estimate.

Often local governments experience difficulties in meeting the expectations of their residents, who may desire a better quality of life, a vibrant economy that leads to job growth, or enhanced public services and facilities to enjoy. Economic downturns and competing demand for resources adversely impact discretionary funding. One of the ways to achieve community prosperity and meet citizen expectations is through economic development activities, which aim to increase wealth in the community. An effective economic development program could improve the resources available to the government; which can be invested in community development, infrastructure enhancements and maintenance, and the delivery of timely and effective services that residents expect.



Economic Development is about positioning the economy on a higher growth trajectory<sup>5</sup> and economic growth is essential to improve prosperity, which leads to the availability of high paying jobs and reinvestment in the community as demonstrated by the diagram on the previous page.

According to the National League of Cities (NLC), “economic development is the engine that helps cities grow successfully.” A NLC survey found that economic development is the most covered major policy issue and has generated increasing interest from mayors over the past six years. An economic development program is adopted in city governments for the benefit of their populations and typically has broad goals such as:

- Creating and Retaining Jobs
- Stimulating Investment in Neighborhoods & Businesses
- Ensuring a Sound Quality of Life
- Generating Revenues to Fund Vital Municipal Services

Some benefits of a successful economic development program are:

- Increased Employment
- Enhanced Standard of Living
- Increased Tax Base
- Self-sufficiency & Less Dependence on other Governments
- Economic Diversification
- Enhanced Quality of Life for Citizens

## What is the City doing about it?

The City of Denton has an Economic Development Department that offers support and services to businesses in all sectors and of all sizes. These efforts include helping businesses navigate the City government, providing assistance with common business issues such as real estate location and workforce development, and improving capacity and opportunities for businesses. The City maintains relationships with several outside organizations such as the North Texas District Export

<sup>5</sup> University of North Carolina material published on EDA website.

Council and the US Export Assistance Center. The City has also created two Tax increment Reinvestment Zones (TIRZ) under the Tax Increment Financing Act of Chapter 311 of the Tax Code,<sup>6</sup> which are part of a City-wide effort to improve infrastructure such as roads, sidewalks, signs, etc. In addition, the City oversees several “place-making” efforts such as tourism marketing & assistance and cultural programming. The City is also investing money in City parks to improve quality of life. These efforts should build capacity to attract businesses to Denton and their effectiveness will be examined in separate audits.

This audit focuses on the City’s business recruitment and expansion efforts through incentives. According to the Economic Development Department, since 1999 the City has invested \$16.5 million in tax-related incentives, and in return, has benefited from a net increase in property and sales tax revenues in the amount of \$62.4 million. The total rate of return for incentives awarded is 327%, and there have been a total of 7,536 jobs created or retained by incentivized projects.<sup>7</sup> We have not audited this information.

These economic development incentives are granted by the City mainly under Chapter 312 of the Tax Code<sup>8</sup> and Chapter 380 of the Texas Local Government Code.<sup>9</sup> Economic development incentives are in the form of reimbursements to the applicant companies based on the terms and conditions of the incentive agreements. City incentives have been granted not only to companies relocating from other areas, but also to businesses wishing to expand their presence in the City.

Based on information received from the City’s Economic Development Department, our office estimated the following employment in the City’s top ten major industry clusters; these ten industry clusters make up about 67% of Denton’s employment:

**Table 1: City of Denton Major Industry Cluster Employment (2019)**

<b>Industry Cluster</b>	<b>Est. Employment</b>
Local Health Services	8,131
Local Hospitality Establishments	7,217
Local Real Estate, Construction, & Development	4,080
Local Education & Training	4,011
Automotive	3,515
Education & Knowledge Creation	2,838
Local Commercial Services	2,750
Distribution & E-Commerce	2,245
Local Motor Vehicle Products & Services	2,235
Local Retailing of Clothing & General Merchandise	2,018

## Components of Economic Development

<sup>6</sup> Tax increment financing (TIF) is a tool that incentivizes economic development by allowing cities, alone or in partnership with other taxing units, to use tax increment financing to pay for improvements to an area so it will attract new development.

<sup>7</sup> City of Denton – Informal Staff Report “Net Revenue Report on Economic Development Incentives” (Dec. 2018)

<sup>8</sup> Chapter 312 is an economic development tool available to cities to attract new industries and commercial enterprises and to encourage the retention and development of existing businesses through property tax abatement.

<sup>9</sup> Under Chapter 380 of the Texas Local Government Code, Texas cities may administer an economic development program and may provide grants (including tax rebate), loans, city personnel, and city services for promotion and encouragement of economic development.

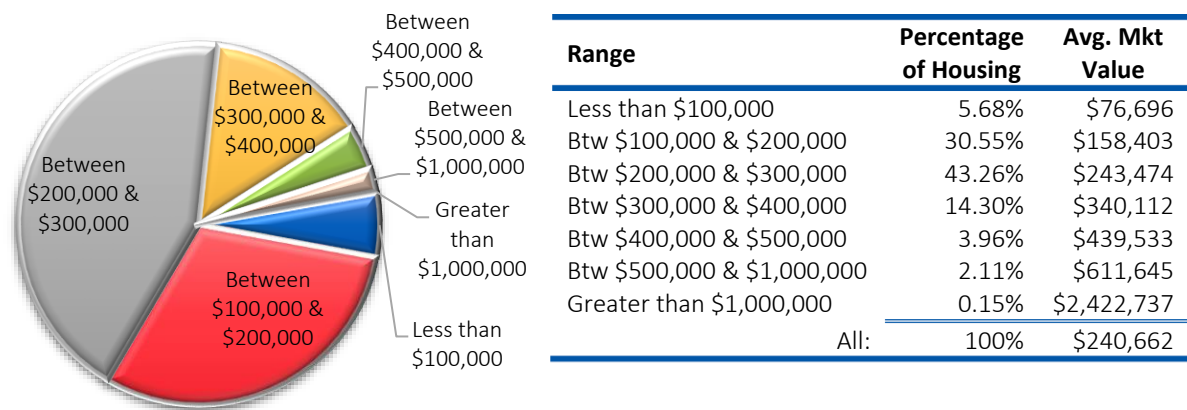


Generally, key components of a region that a successful economic development program must periodically analyze in order to effectively attract and retain businesses. These include educational resources and housing stock, explored below, as well as competitive advantages, which are discussed more thoroughly throughout the report.

Housing Stock: To attract high paying jobs, the City must have available housing opportunities to accommodate the needs of the employees occupying these jobs. We analyzed the mix of housing stock within City limits using Denton Central Appraisal District data. According to the US Census Bureau, about 48% of housing units were owner-occupied between 2013 and 2017. In addition, we found that the City of Denton has a relatively lower housing vacancy rate compared to other economic regions.

Figure 1 below divides all single-family homes (about 30,000 housing units) by market value range. In addition, we identified about 1,200 multi-family properties, which roughly translates to about 25,000 housing units; according to Development Services, the City had about 53,125 housing units as of July 2019.

**Figure 1: Single-Family Housing Stock Market Value Analysis**



Educational Resources: A successful economic development effort depends in part upon the available workforce in the area, whose skillsets for employment in certain target industries stem from education. Two four-year public universities are primarily located within City limits and one 2-year public college has a campus presence. These educational institutes are summarized in the Table 3:<sup>10</sup>

**Table 2: Summary of Educational Institutes in Denton**

<sup>10</sup> Information was taken from College Scorecards, a US Department of Education website designed to see how well different colleges are serving their students.

**The City of Denton Internal Audit Report**  
**Audit of Economic Development: Recruitment & Expansion**

**January 2020**

Institution	University of North Texas	Texas Woman’s University	North Central Texas College
<b>Undergraduates</b>	31,500	9,500	10,000
<b>Graduation Rate</b>	53%	37%	13%
<b>Most Popular Programs by Degrees &amp; Certificates Awarded (Percentage of Degrees Awarded per Discipline)</b>	<ol style="list-style-type: none"> <li>1. Business, Management, &amp; Marketing (20%)</li> <li>2. Multi/Interdisciplinary Studies (11%)</li> <li>3. Liberal Arts and Sciences, General Studies, and Humanities (9%)</li> <li>4. Visual &amp; Performing Arts (7%)</li> <li>5. Communication and Journalism (7%)</li> </ol>	<ol style="list-style-type: none"> <li>1. Health Professions (30%)</li> <li>2. Liberal Arts and Sciences, General Studies, and Humanities (12%)</li> <li>3. Multi/Interdisciplinary Studies (11%)</li> <li>4. Business, Management, &amp; Marketing (10%)</li> <li>5. Family and Consumer Sciences/Human Sciences (6%)</li> </ol>	<ol style="list-style-type: none"> <li>1. Liberal Arts and Sciences, General Studies, and Humanities (50%)</li> <li>2. Health Professions (23%)</li> <li>3. Computer and Information Sciences (7%)</li> <li>4. Homeland Security, Law Enforcement, and Firefighting (5%)</li> <li>5. Personal and Culinary Services (4%)</li> </ol>

## Cluster Analyses Methodology: A Best Practice in Economic Development

We used the following methodology, analyses and facts for drawing conclusions to our findings described subsequently in this report:

According to the U.S. Secretary of Commerce, "The U.S. Cluster Mapping Project is used by governments, economic developers, and businesses to understand and shape the competitive landscape for a wide range of industries. These data are being put in the hands of local officials, who are using the information to make strategic investments, recruit new companies, and lay the groundwork for new industries. Across the country, our cluster mapping tool gives us the ability to reinvent and modernize economic development strategies – all driven by open data."

According to the Cluster Mapping project website, "The U.S. Cluster Mapping Project is a national economic initiative that provides over 50 million open data records on industry clusters and regional business environments in the United States to promote economic growth and national competitiveness. The project is led by Harvard Business School's Institute for Strategy and Competitiveness in partnership with the U.S. Department of Commerce and U.S. Economic Development Administration."

According to the International City Managers' Association (ICMA), "Clusters are geographic concentrations of competing and collaborating firms that tend to produce innovation and higher than average wages. Cluster-based economic development strategies are interventions designed to improve a cluster's performance by addressing the common needs of businesses within the cluster. ... The cluster-based approach has influenced local, regional, state, and national economic development policy worldwide. It has also added significant value as a method of understanding regional economies, as a tool for engaging industries in collective problem solving, and as a tool for organizing service delivery across public sector departments, services, and functions. Looking at a local economy in terms of clusters has the added benefit of providing a framework for addressing the needs of existing businesses in a way that can also make the community more attractive to new businesses in similar or complementary industries."

As part of our evaluation, our Office conducted three cluster analyses based on the methodology and data provided by the U. S. Cluster Mapping Project of the major economic regions in which the City of Denton is located. This analysis attempts to identify the City's strategic advantage in recruiting new businesses.

The US Cluster Mapping Project defines a strong cluster as having high employment specialization in a region. The location quotient<sup>11</sup> (a quantification of concentration) and employment growth of these strong clusters can be used to classify clusters as mature, growth, or emerging based on the criteria in Table 3.

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<sup>11</sup> The location quotient is a comparison of a cluster's employment in one region to another region. In this way, a 1.00 LQ would indicate that the percentage of employment of one cluster in Denton is equal to the percentage of employment of the same cluster in the US. While a location quotient of 2.00 would mean the percentage of Denton employment in one cluster is twice as much as the same cluster in the US.

Table 3: Criteria for Cluster Classification

	Mature	Growth	Emerging
Concentration <sup>12</sup>	High	High	Low
Employment Growth	Low/Negative	High	Positive

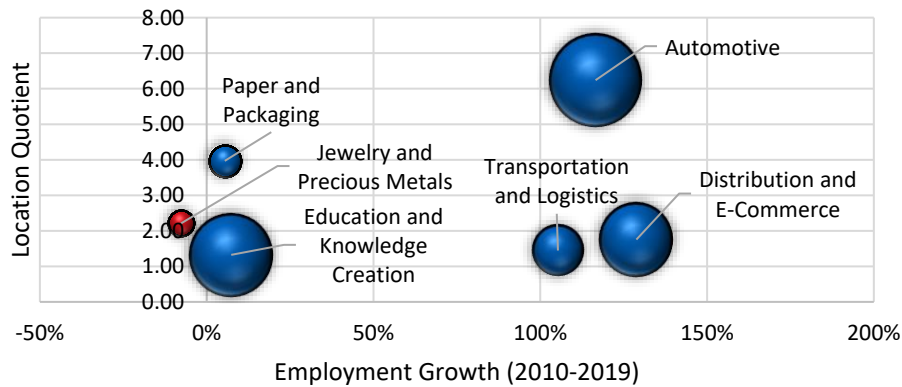
Based on data provided by the City’s economic data service, Emsi, we identified the City of Denton’s strong traded clusters as follows:<sup>13</sup>

Table 4: Strong Clusters in the City of Denton (2019)

Cluster Name	2019 Employment	Location Quotient	Growth (2010-2019)	Cluster Type
Automotive	3,515	6.24	117%	Growth
Education & Knowledge Creation	2,838	1.32	7%	Mature
Distribution & E-Commerce	2,445	1.75	129%	Growth
Transportation & Logistics	1,092	1.45	105%	Growth
Paper & Packaging	464	3.97	5%	Growth
Jewelry & Precious Metals	307	2.21	-8%	Mature

Bubble charts are often used for identifying priority clusters as they allow visual comparisons of economic measures<sup>14</sup>. Figure 2 illustrates relationships for the clusters in the City of Denton.

Figure 2: Clusters in the City of Denton, TX

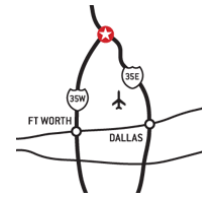


<sup>12</sup> Many economic development studies use a 1.25 location quotient as criteria for demonstrating a high concentration of employment as this means the concentration of an industry is at least 25% higher than in the average area.

<sup>13</sup> Clusters with employment greater than 300 and location quotients greater than 1.00 were considered strong; these criteria were based on the US Cluster Mapping Project’s criteria.

<sup>14</sup> The size of bubble indicates concentration of employment in the area.

While focusing on the mature and important growth clusters in the City of Denton may be the most rewarding to the City’s economic development efforts, it does not necessarily present a full picture of the economic region as there may be opportunities to leverage strengths in the regional economy that would yield benefits for local economic development efforts. Based on the City of Denton’s location as the seat of Denton County and at the top of the I-35 corridor, our Office has also conducted cluster analyses of Denton County and Dallas-Fort Worth metropolitan statistical area (MSA).



The US Cluster Mapping Project also identified five strong traded clusters in Denton County as follows:

- Financial Services
- Transportation & Logistics
- Jewelry
- Distribution & E-Commerce
- Communications

The bubbles on the right side of the chart are growth clusters and those on the left side are mature clusters (Figure 3).

**Figure 3: Clusters in Denton County, TX<sup>15</sup>**

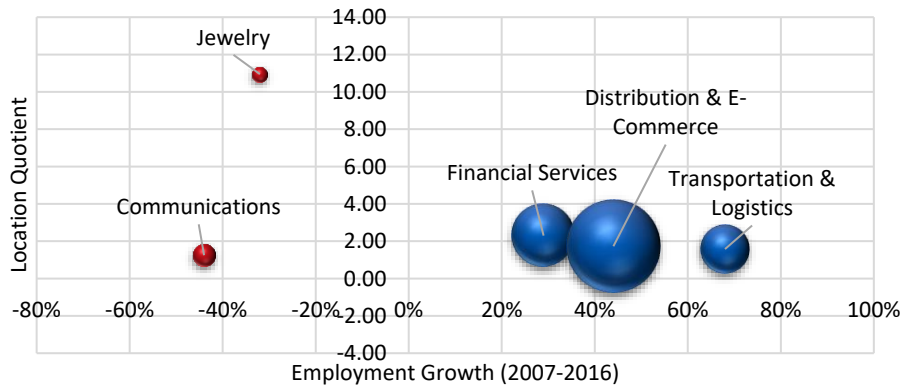
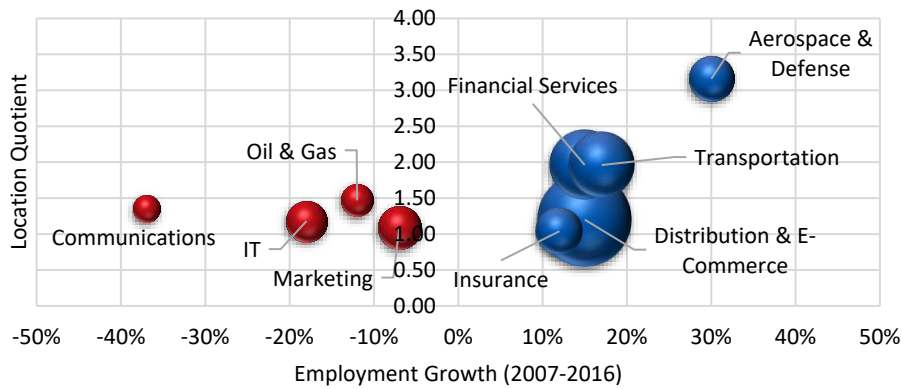


Figure 4 illustrates similar results for the Dallas-Fort Worth MSA:

<sup>15</sup> The following variables are plotted: 10-year employment growth (2007-2016) on the x-axis (horizontal); The cluster’s location quotient (2016) on the y-axis (vertical); and employment size of the cluster (2016) indicated by the size of the bubble.

Figure 4: Clusters in DFW MSA (2016)

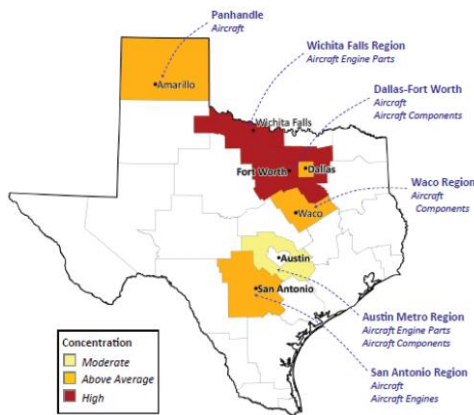


The above charts indicate that Transportation & Logistics and Distribution & E-Commerce are overlapping growth clusters with the City of Denton. This also identifies Insurance as an emerging cluster and Aerospace & Defense and Oil & Gas as growth and mature clusters in the DFW MSA respectively.

### Other External Factors that May Impact the City’s Efforts

Finally, though we did not perform a cluster analysis for the state of Texas, we did find that the state has recognized the Automotive manufacturing industry cluster, and the Aerospace, Aviation, and Defense industry cluster as priorities. Texas is home to 1,752 automaker facilities and ranked number seven in the US for automotive manufacturing employment. The state houses General Motors, Toyota, Toshiba, Caterpillar and Peterbilt Motors – a Denton company. This situation may allow Denton to leverage the resources for enhancing the automotive cluster in the City.

Auto Manufacturing in the Texas-Mexico Corridor



Similarly, the Texas aerospace and aviation industry employs about 130,000 workers with average wages of \$95,000. The City has a small (less than 300 employees) Aerospace & Defense cluster, which is made up of the aircraft manufacturing industry. However, the University of North Texas offers a Bachelor of Science in Aviation Logistics that may provide workforce in this area. This Aircraft sub-cluster is also particularly strong in the DFW MSA.

## What Works Well?

According to the International Economic Development Council (IEDC), there are many different strands of economic development, which is the process that influences growth and restructuring of an economy to enhance the economic wellbeing of a community. In the broadest sense, economic development encompasses three major areas:

- 1) Policies that governments undertake to meet broad economic objectives including inflation control, high employment, and sustainable growth;
- 2) Policies and programs to provide services including buildings, highways, managing parks, and providing medical access to the disadvantaged; and
- 3) Policies and programs explicitly directed at improving the business climate through specific efforts, business finance, marketing, neighborhood development, business retention and expansion, technology transfer, real estate development, and others.

Though the City has put forth policies and programs in all three major areas of economic development, many of the Economic Development Department's efforts fall under areas listed in area number three above. This report specifically evaluates the City's framework to perform economic development business recruitment and expansion activities, including:

- The recruitment of individual business through marketing and economic development incentives; and
- The retention and expansion of individual business through economic development incentives and a business visitation program.

Historically these activities have been divided between the Chamber of Commerce's marketing and recruitment efforts, and the City's Economic Development Department's business retention and expansion program and incentives administration.

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## Incentive Agreements are Adequately Administered

Economic development incentive agreements should be administered and approved according to the provisions of the agreement, the City's incentive policy, and the applicable laws and regulations (i.e. Chapter 312 and Chapter 380 of Tax Code and the Texas Local Government Code). Based on our review of all applicable laws, executed incentive agreements (see Table 5), policies, applications, calculation documents, certificates, and other relevant documents, the auditors found the following:

- All<sup>16</sup> incentive agreements entered into in the last five calendar years were accurately calculated; reimbursement amounts were paid according to the terms of the incentive agreements after compliance of required conditions of the agreements.
- All of the agreements that we reviewed were properly approved by the City Council and were appropriately executed with the proper authority and ordinance of the City Council in compliance with provisions of the City's incentive policy, Chapter 312, and Chapter 380.

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<sup>16</sup> Incentives have not yet been initiated for three of the eight ongoing projects.

- TIRZ No. One and TIRZ No. Two agreements were appropriately executed in compliance with Chapter 311 provisions and TIRZ grants were appropriately calculated according to the corresponding Chapter 380 agreements.

**Table 5:** Status of Agreements Executed between CY14 & CY18

Type	Agreements	Initiated <sup>17</sup> Agreements
New/Ongoing 312	2	0
New/Ongoing 380	6	5
Amendment	2	N/A
Terminated	4	N/A
All:	14	5

<sup>17</sup> Though an agreement may be executed, a project must first meet the required conditions of the agreement – such as receipt of a certificate of occupancy, property valuation level, etc. – before it is initiated (i.e. before the business is reimbursed by the City).



## Opportunities for Improvement

In Denton, business recruitment efforts are generally<sup>18</sup> divided into two parts:

- 1) Marketing efforts led by the Chamber of Commerce; and
- 2) Administration of incentive agreements by the City's Economic Development Department.

Both of these incentivized recruitment efforts are predominantly guided by the Tax Abatement and Incentive Policy (Resolution 18-148). The Tax Abatement and Incentives Policy of the City of Denton was last updated and approved by the City Council on March 20, 2018 and is reviewed every two years by the Economic Development Partnership (EDP) Board<sup>19</sup> and the City Council.

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## Unfocused ED Incentive Policy May Obscure Recruitment Targets

According to the Government Finance Officers Association (GFOA), the development of targeted economic sectors is a common goal in public economic development programs. These targeted industries should be identified based on an understanding of the business needs in the area and defined so as to create context and accountability for the use of economic development incentives. The Tax Abatement and Incentive Policy identifies the following target industry sectors:

- Aviation/Aerospace
- Renewable Energy
- Information Technology
- Significant Consumers of Municipal Utilities
- Advanced Manufacturing
- Research & Development
- Supply Chain for Existing Employers

## What We Found

- We did not find any documentation explaining reasons for the selection of these target industry sectors. Similarly, there are no specific definitions of "Advanced Manufacturing," "Research & Development," "Supply Chain for Existing Primary Employers," and "Information Technology" available to the City and Chamber staff, making it difficult to identify which businesses are actually targeted.
- In addition to the seven target industry sectors, the policy identifies ten additional priority considerations. Similar to the target industry sectors, these considerations are generally broadly defined, such as:
  - Promoting business & community investment
  - Expanding & diversifying the tax base
  - Promoting public-private partnerships in investment
  - Generating new customers for municipal utilities

There are two issues with this situation:

- Naming such broad industry targets and priority considerations may hamper the clear measurement of objectives and obscure the City's economic development recruitment and expansion focus. This potentially hinders the City's marketing and recruitment efforts as the ultimate goal of the current policy is not clear. This is because the current

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<sup>18</sup> While marketing and recruitment efforts are driven by the Chamber's Office of Economic Development, the City's Economic Development Department also responds to direct leads and requests for proposals.

<sup>19</sup> The EDP Board provides economic development policy guidance and makes recommendations to the City Council and the Chamber of Commerce.

policy encourages recruitment of businesses in many industries that may fall within either a target industry sector or an industry sector that is given priority. This circumstance creates confusion as to which marketing events and activities most directly align with the City’s ultimate recruitment goals.

- The City’s current target industry sectors do not completely align with potential available growth opportunities described previously during best practices discussion. This point is depicted in Table 6:

Table 6: Industry Sector Comparison

Industry	Denton City	Denton County	DFW MSA	State of Texas Priority	City's Targeted Clusters
Automotive	Growth			✓	
Education & Knowledge Creation	Mature				
Distribution & E-Commerce	Growth	Growth	Growth		
Transportation & Logistics	Growth	Growth	Growth		
Paper & Packaging	Growth				
Jewelry & Precious Metals	Mature	Mature			
Financial Services		Growth	Growth		
Communications		Mature	Mature		
Aerospace & Defense			Growth	✓	✓
Insurance			Growth		
Marketing			Mature		
Oil & Gas			Mature		
Information Technology			Mature		✓
Supply Chain for Existing Businesses					✓
Significant Customer of Municipal Utilities					✓
Advanced Manufacturing					✓
Renewable Energy					✓
Research & Development					✓

 - Opportunity Exists

## Why It Matters

The above observations demonstrate that the City may be missing out on potential marketing opportunities where growth is possible. This being said, the above analysis is not meant to make conclusions about the regional economy and its impact on Denton. Additional factors that may need consideration include:

- Inputs like workforce availability & development and housing opportunities; and
- Outputs like quality of life for citizens and community wealth building.

Therefore, the City will benefit from hiring a professional economic development consulting firm to conduct a comprehensive analysis of the full regional economy to provide strategic guidance on target industry sectors and other economic development efforts most beneficial for the City.

## Recommendations:

1. *Develop an economic development strategic plan based on historical patterns, current circumstances, and emerging trends.* This strategic plan should identify the core industry clusters that drive regional economic growth based on analytical research and clear expectations for program effectiveness. For this purpose, the City will benefit from hiring a qualified consulting firm practicing in this discipline. As of November 2019, the City has hired a consultant to perform this service.

**Economic Development Comments:** *Economic Development staff requested and received approval for a new comprehensive economic development strategic plan during the FY 19-20 budget process, which was given approval to be funded in FY18-19. A contract with TIP Strategies has been executed and the final report is anticipated by Summer 2020. Management appreciates the auditor's shared understanding of the value of having such a plan.*

2. *Identify high value-added subsectors of target industry sectors to help focus economic development recruitment and incentive activities.* These defined target industries should be based on the analysis conducted by the economic development consulting firm hired by the City.

**Economic Development Comments:** *Management agrees that more clear guidance regarding the pursuit of targeted sectors for specific incentive programs could be developed, but requests that the development of those targeted sectors be based on a comprehensive analysis of the regional economic ecosystem, the City Council's strategic goals, potential future development possibilities, and an evaluation of tax-base diversification, supply chain needs, workforce development possibilities, and additional factors. The audit relied solely on the use of cluster analysis and location quotients to establish this recommendation. And while this type of analysis can be informative, a cluster analysis and location quotient technique only produces a rough descriptive indicator of relative concentrations of industries as compared to a larger area. It forces the user to make assumptions that a given smaller region is significantly similar to a larger geographic region on the whole, and, if the assumptions are not correct or the economic system is not well understood, produces a value that inaccurately portrays the ecosystem in which the industry clusters exist. There are also significant challenges in understanding how industries and labor are classified under different systems, which can further destabilize assumptions and lead to faulty conclusions. Management also understands the value of flexibility and the consideration of innovative and unique factors of projects, and that being*

*overly prescriptive can reduce recruitment potential and lead to ineffective, limiting strategies that reduce the City’s ability to find creative ways to attract and retain businesses.*

## Revisions to Economic Development Incentive Policy May Improve Accountability

According to the GFOA’s best practices, economic development performance should be measured against the overall goals and objectives in the government’s economic development policy. The Tax Abatement and Incentive Policy identifies the following objectives:

- Expand and diversify the tax base
- Enhance the quality of life for residents
- Secure new customers for municipal utilities
- Create quality jobs
- Protect human health and the environment

### What We Found

- The City’s Tax Abatement & Incentives policy does not outline any performance measures for determining if the policy’s recruitment objectives are being achieved.
  - For example, there are several criteria for identifying “quality jobs” within the policy as shown below.
    - Jobs with wages above the Denton County median wage;
    - Increasing the number of jobs paying more than \$75,000; and
    - Encouraging knowledge-based jobs or those that require specialized or theoretical knowledge.

Creating quality jobs is an appropriate objective for economic development as there is generally an expectation that these employees will live in the City and spend their funds to acquire housing and other goods and services – circulating these wages in the local economy. However, having several interpretations of “quality jobs” related to different incentives may confuse the performance measurement and monitoring process of the program as a whole, though specific project performance can still be measured. Honing the policy to include only one definition of “quality job” would facilitate the City Council’s ability to monitor the performance of the incentive program as a whole. In addition, having a single definition may aid City staff in determining which projects are the best fit for the City, as this information can often times be conflicting at the project level. The following example (Table 7) is taken from projects approved by the City Council for receiving incentives in 2018:<sup>20</sup>

**Table 7: Incentivized New Full Time Jobs (CY18)**

Industry Sector	Jobs	Avg. Wages	% > \$75,000
Sig. Utility User 1	67	\$17.34	4.5%
Existing Business	67	\$24.48	22.4%
Sig. Utility User 2	100	\$24.82	13.0%
All:	234	\$22.58	13.2%

<sup>20</sup> There is no documentation indicating which jobs are “knowledge-based” in the incentive application prepared by each business, so this criterion was excluded from our analysis.

As the above table depicts, the majority of employees incentivized earn less than \$75,000. In the future, it may be beneficial to determine if the wage level for new jobs proposed by an incentive-seeking project will contribute adequately to the City's economy.

- The incentive policy does not identify specific metrics to be monitored and reported in all project incentive agreements – allowing City staff flexibility when composing an incentive agreement. While this flexibility allows the City to more easily negotiate with incentive applicants, it may hinder reporting on the City's incentive program objectives.
  - For example, the creation of “quality jobs” is often considered by staff, the EDP Board, and City Council when determining what incentive package an applicant may receive. However, we found that the creation of these quality jobs is generally not written into the incentive agreement as a requirement. Without requiring staff to monitor the number of jobs created and their compensation, the City Council has little assurance that the incentive program's objective of “create quality jobs” is being met.
- The Economic Development Department has tried to measure recruitment and incentive performance through the annual Economic Development Incentivized Projects Net Revenue Report. This report summarizes the Tax Abatement (Chapter 312) and Chapter 380 agreements that have been executed since the beginning of the incentives program (1999) and quantifies their impact on the City, the County, and Denton Independent School District. While this report does quantify the City's return on investment and states the number of jobs created, it does not break out these jobs into “quality jobs” and does not specifically measure the program's effects on quality of life for residents, human health & the environment, or new customers for municipal utilities. The absence of this reporting may be in part due to a lack of definition or criteria for how incentive projects may meet these objectives.

### Why It Matters

Performance measures should be a means of evaluating the entity's performance in achieving objectives, according to the Government Accountability Office's Standards for Internal Control. Effective policies and procedures are essential management tools as they offer individuals information and guidance to perform their job properly. However, there are no clear performance measures laid out in the Tax Abatement and Incentives policy. Without clear measures, it is difficult to determine if the City's economic development incentives are meeting the objectives determined in the policy.

### Recommendations:

3. *The City Council needs to revise the Tax Abatement and Incentives policy to outline clear performance expectations based on the City's incentive objectives.*

#### **No Management Response Needed**

4. *Verify critical metrics used to determine the incentive package offered to businesses as part of incentive monitoring and reporting to ensure program objectives are met.*

**Economic Development Comments:** *Management fully agrees that regular and robust monitoring of incentive agreements and associated metrics is a high priority, and as noted in the audit, quality management of the monitoring and compliance process was demonstrated with the finding that incentive agreements were administered appropriately. Also, as noted in*

*the audit, the Economic Development department negotiates agreements and associated performance measures and compliance reporting on a case-by-case basis, based on numerous factors for evaluation. Due to the individualized nature of agreements, the negotiation process, and the variety of metrics that are used to evaluate an incentive request, defining what critical metrics are needed should be based on the individual incentive package being negotiated and then incorporated into the monitoring process based on the outcome. To the extent feasible, staff include basic critical metrics that are relevant and important to the incentive being offered and take great care to ensure that agreements remain in compliance with negotiated terms.*

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## Improved Reporting & Monitoring Could Benefit Business Recruitment Efforts

The Chamber of Commerce’s economic development marketing and recruitment duties are defined by an agreement between the Chamber and the City. The FY19 Economic Development Program Agreement requires the Chamber to market Denton with a focus on the City’s targeted industry sectors. These activities are reported monthly to the City’s Economic Development Department and include social media and website metrics, brief descriptions of marketing activities, and new lead information.

### What We Found

- The FY19 Program Agreement requires the Chamber to establish an average of three new contacts per marketing event. Based on our Office’s review of the Chamber’s Activity Reports, we could not easily determine the number of new contacts established per marketing event. In addition, detailed information about established contacts was unavailable. This being said, we identified 30 reported marketing opportunities during calendar year 2018,<sup>21</sup> which are broken out by type in Table 8:

**Table 8: Marketing Opportunity Types (CY18)**

<b>Mkt. Opp. Type</b>	<b>% Opportunities</b>
Individual Meeting	37%
ED-Related Event	13%
Booth/Floor Presence	17%
Conference	33%

- While there is no corresponding requirement in the Program Agreement, we also evaluated the identified marketing opportunities based on industry sectors as presented in Table 9:

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<sup>21</sup> FY19 Program Agreement requirements were compared to calendar year 2018 performance throughout the report because FY19 was not complete during the audit fieldwork period.

**Table 9:** Marketing Opportunity Industries (CY18)

Contact	% Opportunities
Site Selector/Broker	53%
Manufacturing	20%
Transportation & Distribution	13%
Aerospace/Aviation	7%
Metal Working	3%
Geotechnical & Environmental	3%

- The FY19 Program Agreement requires the Chamber to respond to 42 leads and to oversee site visits from seven different companies from Denton’s target industry sectors. Leads are reported in a tabular format under a project name, which lists the company’s industry, general lead source, site needs, capital investment, jobs created, and whether or not a proposal was submitted.
  - In the Chamber’s Activity Reports, we found that 64 leads were responded out of 69 leads received during CY18.<sup>22</sup>
  - In addition, the Chamber hosted 10 site visits during CY18.
- Finally, three incentive agreement packages were brought before the EDP Board for deliberation during 2018. All three agreements were for distribution projects – a non-target industry sector; however, two of these three projects were considered to be significant users of municipal utilities, which is a targeted industry sector. The third project met other priority considerations for expansion incentives. These performance metrics are broken out by industry sector in Table 10:

**Table 10:** Marketing & Recruitment Performance by Industry Sector (CY18)

	Industry Sector <sup>23</sup>	% Responses	% Site Visits	% Recruited
Targeted	Aviation/Aerospace	6%	0%	0%
	Manufacturing*	48%	20%	0%
	Renewable Energy	0%	0%	0%
	Research & Development	2%	10%	0%
	Information Technology	3%	0%	0%
	Supply Chain	N/A	N/A	0%
	Sig. Utility User	N/A	N/A	66%
Non-Targeted	Speculative Industrial Space, Distribution Projects and other Misc.	41%	70%	33%
Total:		64 Responses	10 Site Visits	3 Recruited

\*Could not isolate advanced manufacturing leads based on reported information

<sup>22</sup> The City’s Economic Development Department received 29 leads during this period and responded to about 28% of leads. The Department receives proposal requests from the Dallas Regional Chamber and the Texas Governor’s Office of Economic Development, Tourism and direct business contacts.

<sup>23</sup> Supply chain for existing employers and significant consumers of municipal utilities were excluded from our analysis of leads and site visits as it is unlikely that City or Chamber staff would be able to determine if a business were included in these sectors at these stages in the recruitment process.

## Why It Matters

The Chamber's Activity Reports do not clearly communicate their progress on all of the metrics laid out in the Program Agreement. Likewise, there does not appear to be a clear marketing and recruitment focus on the City's targeted industry sectors, even when it is explicitly required by the Program Agreement. In addition, we did not find any documentation of communications explaining why the Chamber was not able to recruit businesses from the target industry sectors leads.

Some of this lack of focus may be due to unclear expectations in the Program Agreement and the Tax Abatement and Incentives Policy as previously described. However, establishing a more structured, thorough reporting system would increase the City's assurance that their recruitment and marketing objectives are being met.

## Recommendations:

5. *Require Economic Development Department and Chamber staff to report the outcomes of their marketing efforts to achieve program objectives as established by the City Council.*

**Economic Development Comments:** *Both the City's Economic Development Department and the Chamber economic development staff will be engaged in the strategic planning process, which will include the development of new metrics and performance measures. Management concurs that both City and Chamber staff should report and focus on efforts to meet the goals and outcomes established in that process. In addition, as the Chamber provides a service to the City under a contract, the Chamber should also comply with metrics and performance measures established in that agreement.*

6. *Develop a system to quantify marketing activities in order to better evaluate marketing event effectiveness.*

**Economic Development Comments:** *As part of economic development strategic plan, staff will work with the consultant to evaluate this recommendation and consider options for evaluating the effectiveness of marketing activities.*

7. *Implement a lead tracking system to promote improved communication, reporting, and monitoring.*

**Economic Development Comments:** *While the City currently has a detailed process for tracking and managing its leads and RFIs, Management agrees that these efforts can be better documented and, prior to the audit, had initiated research to find a solution that meets the needs of the City, the department, the Chamber, and businesses. Management is working to implement a more comprehensive reporting program during FY 2019-20 that will provide more meaningful metrics.*



## Adherence to Best Practices Could Streamline the Incentive Process

GFOA best practices recommend convening key stakeholders prior to negotiation in order to establish goals and a framework for the project. Receiving direction is especially critical when economic development incentive guidelines are very broad.

### What We Found

- Figure 5 presents the current incentive approval process:

**Figure 5: ED Incentive Approval Process**



- Ultimately, the City Council is responsible for approving economic development project incentive agreements. Receiving the City Council’s direction is especially critical because the City’s Tax Abatement and Incentives policy is very broad as described previously. This being said, the City Council has approved all incentives recommended by staff and the EDP Board – in some form – since 2016.

### Why It Matters

The above process results in the business being required to undergo scrutiny twice, once by the EDP Board and another by the City Council. During this process the business does not have assurance that they will receive a benefit which may discourage them from relocating to Denton. We found at least one incident where a business decided not to relocate to Denton after undergoing the above process. If possible, streamlining this process may benefit successful business recruitment.

### Recommendation:

8. Consider developing a process to discuss potential economic development projects with the City Council before negotiations begin to facilitate the approval process. Executive session may be utilized to provide confidentiality to high-profile development projects.

***Economic Development Comments:** Management partially concurs only insofar as the City Council approves the incentive application and approval procedures as part of the incentive policy. Currently the policy-approved process does not direct staff to bring projects to City Council first, but instead to the Economic Development Partnership Board for review and recommendation. If City Council wishes to make a change to the process, staff will fully comply with adopted procedures.*

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## Robust Business Retention and Expansion Efforts Need Comprehensive Reporting

At the City of Denton, business retention and expansion (BRE) efforts are concentrated in the City's Economic Development Department. According to the International Economic Development Council, a strong BRE program consist of keeping track of existing businesses and their needs and developing a process for helping them with expansion and retention. For these purposes, the City must decide what types of businesses will be targeted for extending local development process assistance. This help may include assisting with regulations and permits related to planning, zoning, and building. A successful BRE program has four main components: visitation, surveys, clearinghouse or information center, and networking.

The City has established several annual networking events and offers all businesses tools to identify the zoning and permitting in their area through the Denton OpenCounter website. In addition, Denton's Economic Development Partnership has set up a website that includes information about:

- Available incentives and business assistance information including a downloadable incentive application;
- Available properties;
- Small business programs;
- Services for existing businesses; and
- Workforce training programs.

### What We Found

- Based on interviews with Economic Development staff, the City's main business retention and expansion efforts are driven by in-person visits, which are said to target major Denton employers. These visits allow City staff to build connections and relationships with local business leaders to facilitate business assistance programs including incentivized expansion. These interviews are currently tracked in a spreadsheet with a date entered to denote that a business was visited. This spreadsheet lists very few details about the discussions had during these visits or subsequent follow up activities.
  - Based on this database, we categorized the completed and planned business retention and expansion visits by large (more than 100 employees) and small (less than 100 employees) businesses as shown in Table 11.

Table 11: Non-Downtown<sup>24</sup> Business Retention Visits Summary

	FY18 Actual	FY19 Est.	FY20 Planned
Large Businesses	22	20	25
Small Businesses	13	15	3
Total:	35	35	28

- As part of these business retention and expansion visits, Economic Development Department staff promote Workforce Solutions, a State funded organization that offers grants to fund job training programs through local community colleges. Workforce Solutions offers two grant programs:
  - Skills Development Fund Grants, which assist business and trade unions by financing the design and implementation of customized job-training projects. Grants may be awarded for up to \$500,000 to develop curriculum, procure training materials, and pay instructors and tuition.
  - Skills for Small Business Grants, which emphasizes training for new workers (up to \$1,800) and for existing employees (up to \$900).

Economic Development Department staff facilitate discussions between businesses and Workforce Solutions; however, the City does not play an active role in administering these grants. This being said, Economic Development Department staff promoted Workforce Solutions grants to a total of 33 businesses during FY18, 12 of which were large businesses (more than 100 employees); this promotion led to the application and approval of two Skills Development Fund Grants and three Skills for Small Business Grants.

### Why It Matters

According to the Government Accountability Office’s Standards for Internal Controls, performance measures should be the means of evaluating the entity’s performance in achieving its objectives. Currently, the BRE Program reports only the date of a visit to a business, without giving any information about discussions that would identify the business’ needs and required assistance from the City. While business visitation is a driving force in a successful business retention and expansion program, measuring only the number of visits does not provide adequate detail on the outcomes of BRE activities. More comprehensive reporting would allow the City to analyze the effectiveness and efficiency of these activities and should include details about what was discussed, and follow-up actions taken.

### Recommendations:

- Clearly define business retention and expansion targets and objectives to facilitate the evaluation of the BRE program’s performance. These definitions could be included in an internal policy and procedures manual.

**Economic Development Comments:** Prior to the audit, Management reviewed the City’s BRE program and has made defining an associated work plan a priority. To accomplish this, staff

<sup>24</sup> The City performs similar visits in the Downtown district, which are not shown in this Table.

*requested the development of an actionable work plan and metrics for economic development activities, including BRE, in the scope of work for the strategic plan.*

- 10.** *Enhance documentation of business retention and expansion visits to facilitate reporting of program results.*

**Economic Development Comments:** *Management agrees that business retention and expansion efforts can be better documented and, prior to the audit, had initiated research to find a solution that meets the needs of the City, the department, and businesses. Management is working to implement a more comprehensive reporting program during FY 2019-20.*

- 11.** *Consider developing a survey to distribute to small businesses and those outside of targeted business retention and expansion areas.*

**Economic Development Comments:** *As part of the economic development strategic plan, staff will work with the consultant to evaluate this recommendation and determine if a small business survey should be incorporated into the actionable work plan.*

**Appendix A: Management Response Summary**

The following summarizes the recommendations issued throughout this report. The auditors found that staff and the Department were receptive and willing to make improvements to controls where needed. Management has provided their response to each recommendation.

<p>1 <i>Develop an economic development strategic plan based on historical patterns, current circumstances, and emerging trends.</i></p>	<p><b>Concur</b></p>	<p>Expected Completion: FY 19-20</p>
<p>Comments: Economic Development staff requested and received approval for a new comprehensive economic development strategic plan during the FY 19-20 budget process, which was given approval to be funded in FY 18-19. A contract with TIP Strategies has been executed and the final report is anticipated by Summer 2020. Management appreciates the auditor’s shared understanding of the value of having such a plan.</p>		<p>Responsibility: Economic Development</p>
<p>2 <i>Identify high value-added subsectors of target industry sectors to help focus economic development recruitment and incentive activities.</i></p>	<p><b>Partially Concur</b></p>	<p>Expected Completion: FY 19-20</p>
<p>Comments: Management agrees that more clear guidance regarding the pursuit of targeted sectors for specific incentive programs could be developed, but requests that the development of those targeted sectors be based on a comprehensive analysis of the regional economic ecosystem, the City Council’s strategic goals, potential future development possibilities, and an evaluation of tax-base diversification, supply chain needs, workforce development possibilities, and additional factors. The audit relied solely on the use of cluster analysis and location quotients to establish this recommendation. And while this type of analysis can be informative, a cluster analysis and location quotient technique only produces a rough descriptive indicator of relative concentrations of industries as compared to a larger area. It forces the users to make assumptions that a given smaller region is significantly similar to a larger geographic region on the whole, and, if the assumptions are not correct or the economic system is not well understood, produces a value that inaccurately portrays the ecosystem in which the industry clusters exist. There are also significant challenges in understanding the how industries and labor are classified under different systems, which can further destabilize assumptions and lead to faulty conclusions. Management also understands the value of flexibility and the consideration of innovative and unique factors of projects, and that being overly prescriptive can reduce recruitment potential and lead to ineffective, limiting strategies that reduce the City’s ability to find creative ways to attract and retain businesses.</p>		<p>Responsibility: Economic Development</p>
<p>3 <i>The City Council needs to revise the Tax Abatement and Incentives policy to outline clear performance expectations from staff based on the City’s incentive objectives.</i></p>	<p><b>TBD</b></p>	<p>Expected Completion:</p>
<p>No Management Response Needed</p>		<p>Responsibility:</p>
<p>4 <i>Verify critical metrics used to determine the incentive package offered to businesses as part of incentive monitoring and reporting to ensure program objectives are met.</i></p>	<p><b>Concur</b></p>	<p>Expected Completion: FY 19-20, pending further</p>

			direction from City Council
	Comments: Management fully agrees that regular and robust monitoring of incentive agreements and associated metrics is a high priority, and as noted in the audit, quality management of the monitoring and compliance process was demonstrated with the finding that incentive agreements were administered appropriately. Also, as noted in the audit, the Economic Development department negotiates agreements and associated performance measures and compliance reporting on a case-by-case basis, based on numerous factors for evaluation. Due to the individualized nature of agreements, the negotiation process, and the variety of metrics that are used to evaluate an incentive request, defining what critical metrics are needed should be based on the individual incentive package being negotiated and then incorporated into the monitoring process based on the outcome. To the extent feasible, staff include basic critical metrics that are relevant and important to the incentive being offered and take great care to ensure that agreements remain in compliance with negotiated terms.		Responsibility: Economic Development
5	<i>Require Economic Development Department and Chamber staff to report the outcomes of their marketing efforts to achieve program objectives as established by the City Council.</i>	<b>Concur</b>	Expected Completion: FY 19-20
	Comments: Both the City's Economic Development Department and the Chamber economic development staff will be engaged in the strategic planning process, which will include the development of new metrics and performance measures. Management concurs that both City and Chamber staff should report and focus on efforts to meet the goals and outcomes established in that process. In addition, as the Chamber provides a service to the City under a contract, the Chamber should also comply with metrics and performance measures established in that agreement.		Responsibility: Economic Development
6	<i>Develop a system to quantify marketing activities in order to better evaluate marketing event effectiveness.</i>	<b>Concur</b>	Expected Completion: FY 19-20
	Comments: As part of economic development strategic plan, staff will work with the consultant to evaluate this recommendation and consider options for evaluating the effectiveness of marketing activities.		Responsibility: Economic Development
7	<i>Implement a lead tracking system to promote improved communication, reporting, and monitoring.</i>	<b>Concur</b>	Expected Completion: FY 19-20
	Comments: While the City currently has a detailed process for tracking and managing its leads and RFIs, Management agrees that these efforts can be better documented and, prior to the audit, had initiated research to find a solution that meets the needs of the City, the department, the Chamber, and businesses. Management is working to implement a more comprehensive reporting program during FY 2019-20 that will provide more meaningful metrics.		Responsibility: Economic Development
8	<i>Consider developing a process to discuss potential economic development projects with the City Council before negotiations begin to facilitate the approval process.</i>	<b>Partially Concur</b>	Expected Completion: TBD, pending further direction from City Council

Comments: Management partially concurs only insofar as the City Council approves the incentive application and approval procedures as part of the incentive policy. Currently, the policy-approved process does not direct staff to bring projects to City Council first, but instead to the Economic Development Partnership Board for review and recommendation. If City Council wishes to make a change to the process, staff will fully comply with adopted procedures.

Responsibility:  
Economic  
Development

9	<i>Clearly define business retention and expansion targets and objectives to facilitate the evaluation of the program's performance.</i>	<b>Concur</b>	Expected Completion: FY 19-20
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Comments: Prior to the audit, Management reviewed the City's BRE program and has made defining an associated work plan a priority. To accomplish this, staff requested the development of an actionable work plan and metrics for economic development activities, including BRE, in the scope of work of the strategic plan.

Responsibility:  
Economic  
Development

10	<i>Enhance documentation of business retention and expansion visits to facilitate reporting of program results.</i>	<b>Concur</b>	Expected Completion: FY 19-20
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Comments: Management agrees that business retention and expansion efforts can be better documented and, prior to the audit, had initiated research to find a solution that meets the needs of the City, the department, and businesses. Management is working to implement a more comprehensive reporting program during FY 2019-20.

Responsibility:  
Economic  
Development

11	<i>Consider developing a survey to distribute to small businesses and those outside of targeted business retention and expansion areas.</i>	<b>Concur</b>	Expected Completion: FY 19-20
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Comments: As part of the economic development strategic plan, staff will work with the consultant to evaluate this recommendation and determine if a small business survey should be incorporated into the actionable work plan.

Responsibility:  
Economic  
Development