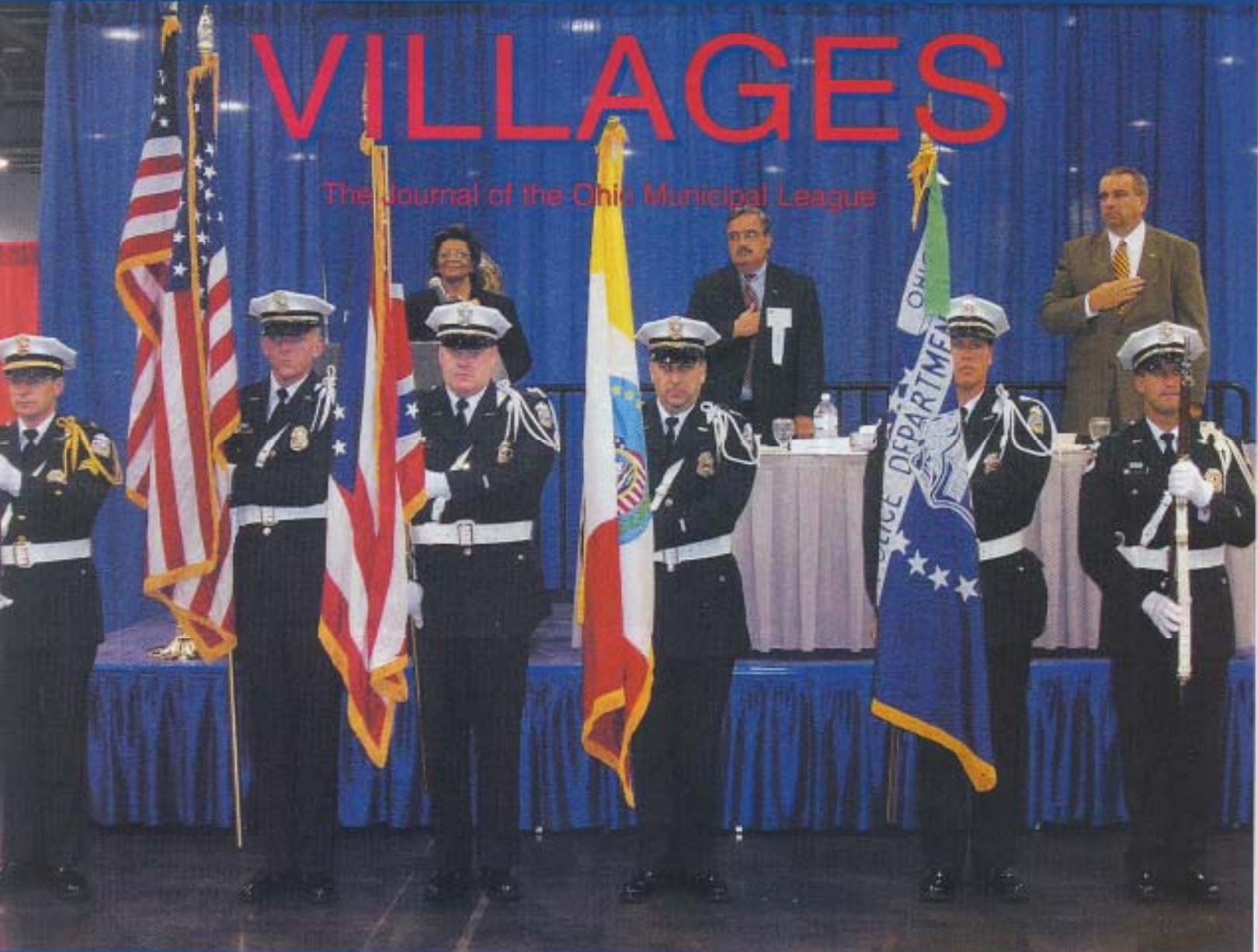


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# CITIES & VILLAGES

The Journal of the Ohio Municipal League



# Port Authorities in Ohio: No Two Alike

*Rick Platt*

In 1995, the cities of Newark and Heath joined with Licking County and established a new port authority. The Heath-Newark-Licking County Port Authority was formed amidst a crisis to assume responsibility for a soon-to-be-closed military facility. The new authority was created to become property manager and owner of the facility which was a vital part of the economy of the region.

This action, cities and counties coming together to form a port authority, has been repeated dozens and dozens of times around Ohio. However, no two port authorities are alike.

Port Columbus airport is owned and managed by a port authority. Port Authorities in Cleveland and Toledo are focused on key transportation assets but are also financing engines. Summit County's port authority owns a downtown theater. Columbiana County's port authority runs a rail line that crosses three counties and two states. Around the country, port authorities' functions run the gamut too, from a transit system in Pittsburgh and high rise offices in New York City to the more traditional maritime port like those in Savanna or Houston.

The Ohio Port Authorities Council, a statewide cooperative

group created in 1998 under Executive Order of the Governor, recently completed an economic impact survey of its member ports. The 2005 survey found port authorities combined to have an over \$4.7 billion economic impact supporting over 50,000 jobs in Ohio.

Not surprisingly, the survey found port authorities move goods and people, handling over 40 million tons of cargo and over 7.2 million air passengers in 2004 while also owning more than 66,000 linear feet of airport runways and 160 miles of rail track.

Port authorities also own some unusual economic generators. One owns a 260-mile fiber optic network. There are parking garages, underground laboratories, and brownfield redevelopment sites among the other off-beat assets.

The averages showed a typical board of directors is made up of seven members, with no elected officials serving, and consisting of unpaid volunteers. Amazingly, however, of the two dozen responding port authorities, only one actually fit this "average" profile.

Thus, besides validating the tremendous impact that port authorities have on Ohio, the

survey further proved the conventional wisdom that no two port authorities are alike.

In Ohio in recent years, port authorities have become all the rage. A map of existing port authorities in Ohio has to be written in pencil or risk being outdated before it can be printed. Today, there are likely more than 40 port authorities in Ohio.

Among the Port Council survey responses, the oldest port authority in Ohio is the Conneaut Port Authority, created in 1930 by Conneaut, and the newest port authority in Ohio was one created just recently by the City of Mason. In between have been several multi-jurisdictional port authorities. One in three port authorities has been created through the efforts of multiple jurisdictions joining forces.

Because no two port authorities are alike, there is no roadmap for public officials in Ohio to follow when considering whether a port authority is the right answer to the question about what is needed in their community. Nonetheless, there are some issues to think about when considering creating a new port authority. The Heath-Newark-Licking County Port Authority is illustrative.

It was the crisis looming from the

prospect of losing over 1,000 jobs and the \$200 million annual economic impact of the Newark Air Force Base that brought the cities and the county together and from which the idea to create the port authority was borne. Newark AFB was on the Pentagon's base closure list in 1993 and, early on, the fight to save the base gave way to a fight to privatize it.

The Port Authority was formed in 1995 as the entity selected to take on the roles of owner and property manager for the base, which was slated to close in October 1996. For agreeing to pay \$11.6 million, the Port took ownership of nearly one million square feet of space, thousands of pieces of personal property, and 57 acres of land.

This May, the Port Authority celebrated its 10-year birthday as owner of "The Base," as it is still known in the community, which is home to 20 different employers with a combined \$54 million payroll. It's been recognized, nationally, as a success story.

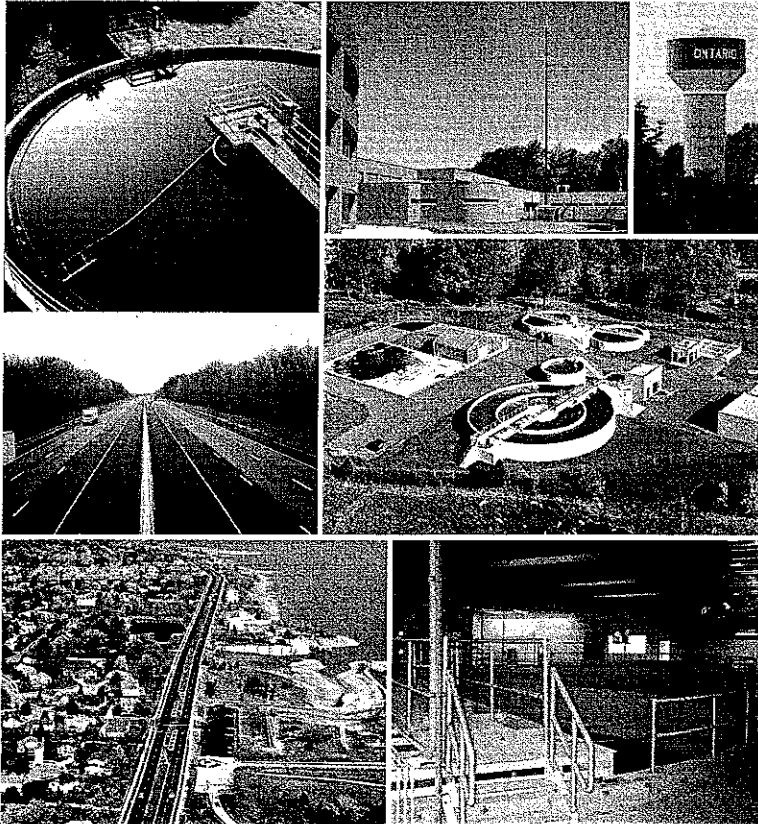
The Port Authority has leveraged its success as a property manager and expanded "outside the gates" by acquiring additional property that makes the now 350-acre campus the 18th largest industrial park in Central Ohio. Of late, it's been increasing its role in more traditional economic development marketing, financing, and workforce development efforts.

Though initially seeded by funding and in-kind services from the

cities and county, the Port Authority paid back the local governments for their contributions in 2000. Today, the Port Authority receives no taxpayer funding and is the largest port authority in Ohio that is entirely self sustaining.

Again, there is no roadmap for creating a port authority and knowing which route to go to meet the particular needs of a community. Following are six things I recommend to anyone who asks my opinion about the issues to consider when deciding whether to create a port authority.

**1. Follow the money.** From day one, know where the money's going to come from to fund the port authority. Before the first



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staff person was hired and the first real estate was purchased, the Heath-Newark-Licking County Port Authority had a lease in place with prospective government contractors who would occupy the privatized base. That lease was rightly envisioned as the source of revenue that would sustain the Port Authority. In 2005, the Port's master lease provides 65% of

the Port Authority's funding.

A good number of port authorities in Ohio were created purely on speculative funding or without a dedicated, known revenue source. It's no surprise that many of them have failed to meet public expectations.

**2. Be focused, yet broad.** It's important to have a key, central

mission but, at the same time, have the flexibility to branch into other endeavors. The Heath-Newark-Licking County Port Authority was created with the purpose of retaining the economic impact of the former Newark AFB. However, had its mission stopped there, the cities, prohibited by state law from creating a second port authority, could have been at a competitive disadvantage should broader port authority powers be needed for development deals and creative financing.

**3. Don't duplicate.** Today's newest port authorities, unlike their older cousins, tend to have very little to do with actual "ports" but more to do with serving as a tool for economic development. There are so many ways to go about the business of economic development that a municipality has to be careful to avoid duplicating efforts. Public-private Community improvement corporations (CIC's) actually have many of the same capabilities of port authorities as far as financing and land sales.

Community leaders need to ask hard questions. Is there some other group that already does what a port authority is expected to do? Is there some function(s) that the local governments don't do particularly well or a need to share the risk? It's important to know the answers to these and other critical questions before creating a port authority.

From my observation, the most successful port authorities have carved out a niche by doing something no other group is

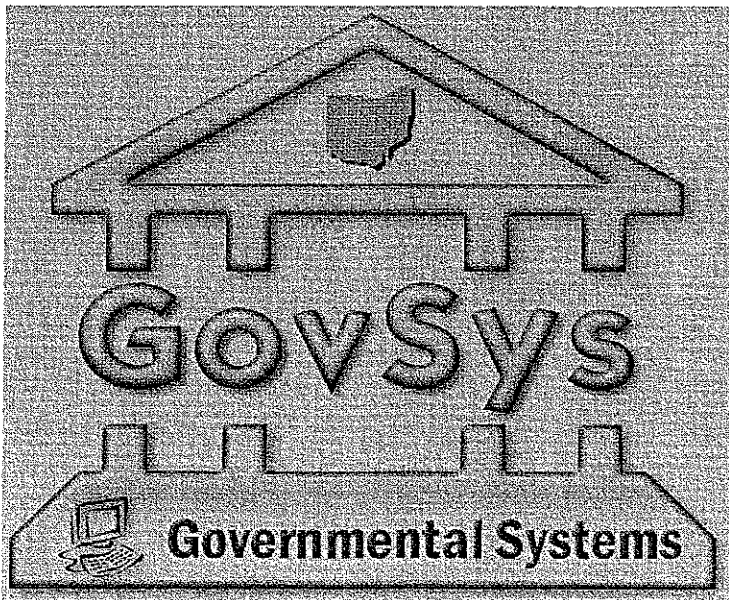
*See Port Authority on page 21*

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doing and by being able to cross jurisdictions.

When the Heath-Newark-Licking County Port Authority was created, many in the local communities feared the Air Force would later pull out and leave them with a "white elephant." That risk was too much for any one local government entity to take on its shoulders so they shared the risk. Cleveland and Toledo's ports were created to spin off the management of the maritime port their parent cities once controlled. These are non-duplicative, specific missions.

**4. Avoid the myths.** There are no magic bullets. Though valuable and, often, key to making development deals work, the financing "tool" and other tools of port authorities can tend to be exaggerated. Despite conventional wisdom to the contrary, port authorities can't make a business development deal's risk go away. The essence of port financing is the same as with any financing entity: you can't sell bonds without a way to pay them back.

Ports also shouldn't be expected to exist solely on the revenue generated from bond finance programs. Only ten port authorities have had any role in financings. Only a handful of port authorities have made any revenue from fees generated from bond financings. Even fewer have engaged in synthetic leases or other creative financing efforts. In fact, only four port authorities in Ohio have direct financing programs capitalized from bond proceeds.

The Heath-Newark-Licking County Port Authority has been involved with over \$20 million in financing deals in the past three years. However, fee revenue gained from these activities amounts to less than 0.1% of the Port's income during that time.

**5. Remember, it is a government.** Though many port authorities, being largely independent and fee-supported may act and look like a business, they aren't. Though there are some notable exceptions for real estate and deal-making transactions, the same laws that apply

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to local governments apply to port authorities. Ohio law governing public bidding on construction, prevailing wage, sunshine laws, open records, investments, and audit requirements all apply. It is my opinion that the kind of activities that require private fundraising or commingling of private and public funds are, largely, best left to non-profit public-private partnerships, not port authorities.

**6. Shun politics.** I always advise anyone asking my opinion to resist the urge to have elected officials serve on the port authority Board. If having 100% of the appointment power rest with elected officials isn't enough to retain control of an effort, then that effort should not be spun off to a port authority. This advice comes not from a

bias against public officials. Quite the contrary. It comes from observing the actions of successful public officials. The Heath-Newark-Licking County Port Authority's charter prohibits elected officials from serving on the Board. Port authorities are business-oriented and need to be able to cross jurisdictions. These things don't mix well with politics.

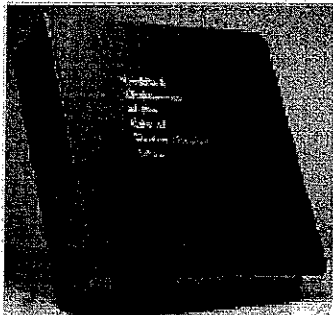
This is hardly a comprehensive answer to the question, "So, you want to create a port authority?" It is, however, a quick tutorial.

The Ohio Port Authorities Council recognizes it has a role to playing in helping Ohio's state and local officials better understand what port authorities can and can't do. Look for outreach efforts of the Port Council in

coming months. In the meantime, visit for more information, including a more detailed look at the economic impact survey.

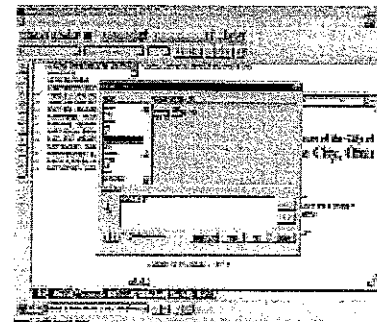
*Rick Platt is Executive Director of the Heath-Newark-Licking County Port Authority and serves as Chairman of the Education Outreach Committee of the Ohio Port Authorities Council. Rick is no stranger to municipal officials in Ohio. In the early 1990's, he was the head of the State and Local Government Commission and frequently visited all 88 Ohio counties. He's spent the last 10 years in economic development splitting time between work with a community improvement corporation and a port authority.*

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