

2017 economic forecast for region



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By Phil Parker

We hear so much about the national economy in the news every day, and should. But how do we believe the regional economy will fare in 2017? That's a good question.

Coming out of 2016, we felt the economy was showing signs of better growth, especially in the latter half, even with the uncertainty and uneasiness with the November elections. The stock market has certainly flirted with a 20,000 DOW and consumer confidence seems to be much more positive than in 2015. So what are our expectations for the new year?

These economic questions are always a mixed bag, with some good, some better and some concerns. So our chamber's Research Advisory Council, a group of area economists, investors and researchers, tries to map out what we think the new year will bring us. Here is what we believe 2017 may look like without trying to predict the stock market for you.

2017 should be a positive year for a number of reasons but still at a modest 2 percent to 2.5 percent growth rate because of these factors:

- Unemployment was still low at the end of 2016, with more people working.

- Interest rates are still low; access to capital is good.

- Auto sales in 2016 were some of the best in years, and that had a big economic impact.

- Job growth was good in 2016, with some new regional employers.

- Construction and home

sales were good and new home starts seem to be trending better for that industry.

- Service industry is still growing.

- Logistics industry is seeing good growth.

- Healthcare services continued to grow.

- Manufacturing is doing OK for many employers.

- Personal incomes grew in 2016, and more consumer income is predicted for 2017.

This will help us trend up in 2017; but we are still concerned about several sectors:

- Government jobs will probably not have much, if any, growth and more than likely will shrink due to budget constraints.

- Brick and mortar retailers may well start to shrink, not just big-box retailers like Macy's and the Limited. Others are already announcing store closures due to the impact of internet sales.

The result will be a mod-

est, yet positive year predicted for our region like much of Ohio and the nation. What we just can't predict are the stocks and bonds markets and whether the current positive consumer confidence will carry the market higher in 2017 and beyond.

But we should be optimistic and plan for growth. We should also support every opportunity to grow the education and skillsets of the current and future workforce as this may well be the driving force of our future growth and a strategic advantage for our economy and nation.

In my opinion, the economy feels better in our region right now and I'm glad to be beyond the disruptive and contentious elections of this past fall. Maybe America and our region can turn more of our collective energies toward job creation and economic growth and prosperity for all of our citizens and businesses in 2017.

BUSINESS

ENERGY PRICES

Utilities push for regulations on submeterers

But businesses want to retain ability to add charges.

By Dan Gearino
The Columbus Dispatch

COLUMBUS — If Ohio regulators are going to oversee submeter companies, then those businesses want to retain their ability to add charges as they see fit.

This is according to filings from two central Ohio submeter companies, Nationwide Energy Partners and American Power & Light, in an ongoing Public Utilities Commission of Ohio case.

The companies act as intermediaries between regulated utilities and residents in some apartments and condominiums, selling things such as electricity and water, sometimes at substantial markups. The business model has been unregulated in Ohio but would violate the law or rules in most states.

The PUCO ruled last month that submeter businesses can be regulated if their total bill exceeds the price that would have been charged by a regulated utility by a yet-to-be-determined percentage.

The submeter companies are urging the PUCO not to count some charges when deciding what constitutes the total bill for the purposes of regulation.

"The percentage should not be applied to other charges that a landlord, condominium association or lessor may contractually assess," said a filing from American Power & Light, a Westerville company. In other words, some line items on the bill should not be counted, such as charges for lighting in a complex's common areas, maintenance of utility systems and billing fees.

Nationwide Energy, based in Columbus, makes a similar argument. If all the extra charges are excluded from the calculation, Nationwide Energy recommends that the utility costs should be the same as regulated prices.

So, the percentage difference would be zero, as the company sees it.

"NEP supports efforts to protect consumers from being charged unreasonably high rates and for the last three years has advo-

cated that consumer protections be in place, while respecting property owners' rights to offer the benefits of submetering services to their residents," said Gary Morsches, Nationwide Energy's CEO, in an email.

He says his company already charges the same as the regulated rates. This excludes the extra fees, which Nationwide Energy says are often assessed at the discretion of the property owner.

About a dozen parties filed comments about what level of charges should be allowed.

A coalition of consumer advocates says that the PUCO's December ruling was flawed because there is no fair way to compare the bills of submetered customers with the bills of customers of regulated utilities.

"No direct comparison can be made because residential consumers served by submeterers have fewer protections — and thus less service quality — than residential customers of the local public utility," said a filing from the Office of the Ohio Consumers' Counsel, the Coalition on Housing and Homelessness in Ohio and the Ohio Poverty Law Center, among others.

"At the very least, the PUCO should require submeterers to provide the same consumer protections that local public utilities are required to provide to their customers. Submeterers should also be required to defend their costs in a proceeding before the PUCO."

Meanwhile, several large regulated utilities said earlier this month that the PUCO should be looking at submeter companies' actual costs for electricity and water, which includes bulk-buying discounts. The utilities, including American Electric Power, said submeter companies can earn a profit of 45 percent merely by buying at a commercial rate and reselling at the higher rate for households.

The commission will now review the testimony with the intent of issuing a ruling setting the percentage markup it would allow. Regardless of the outcome, several parties are likely to appeal in court, leading to a potentially long wait for a resolution.

Economic Indicators

Sales Tax Collections

County	Current Rate	Sep 2016	Sep 2015	12 Mos Change	YTD 2016	YTD 2015	YTD Change
Butler	0.75%	\$ 3,763,311	\$ 3,390,426	11.00%	\$ 33,053,689	\$ 30,675,649	7.75%
Clark	1.50%	\$ 2,104,236	\$ 2,110,308	-0.29%	\$ 19,056,614	\$ 18,889,639	0.88%
Darke	1.50%	\$ 728,695	\$ 761,168	-4.27%	\$ 6,673,951	\$ 6,501,345	2.65%
Greene	1.00%	\$ 2,270,327	\$ 2,148,150	5.69%	\$ 20,247,180	\$ 19,178,106	5.57%
Miami	1.25%	\$ 1,502,933	\$ 1,502,582	0.02%	\$ 13,575,786	\$ 13,032,915	4.17%
Montgomery	1.00%	\$ 6,492,556	\$ 6,270,484	3.54%	\$ 63,101,357	\$ 59,173,449	6.64%
Preble	1.50%	\$ 473,456	\$ 499,285	-5.17%	\$ 4,407,476	\$ 4,247,368	3.77%
Warren	1.00%	\$ 3,402,728	\$ 3,279,535	3.76%	\$ 29,518,977	\$ 27,618,753	6.88%
Region Total		\$ 20,738,240	\$ 19,961,938	3.89%	\$ 189,635,031	\$ 179,317,224	5.75%

Source: http://www.tax.ohio.gov/tax_analysis/tax_data_series/sales_and_use/publications_tds_sales/S1M0116.aspx

Residential Home Sales

	Oct '16	Oct '15	%Change	YTD '16	YTD '15	%Change
Number of Homes Sold	1325	1209	9.59%	13620	12414	9.71%
Total Home Sales	\$198,767,519	\$160,244,708	24.04%	\$2,004,733,228	\$1,748,029,416	14.69%
Average Sale Price (\$)	\$150,013	\$132,543	13.18%	\$147,190	\$140,811	4.53%

Source: Dayton Area Board of Realtors, Dayton Area Home Sales for October 2016

Calendar of events

Register for all events at DaytonChamber.org.

RIBBON-CUTTING FOR PRO-MARK TRAINING CENTERS, Jan. 27, 4:30-6:30 p.m., 8 Prestige Plaza, Suite 110, Miamisburg
GENERATION DAYTON'S GREAT ESCAPE, Jan. 29, 3:45-8:15 p.m., Great Escape Game Dayton, 2332 Grange Hall Road, Beavercreek. Join the chamber's young

professionals group as they play the great escape game to benefit Clothes That Work.

ENERGY AUDIT MEMBER DISCOUNT PROGRAM INFORMATIONAL LUNCH, Jan. 31, 11:30 a.m. to 1 p.m., Montgomery County Business Solutions Center, 1435 Cincinnati St., Suite 300, Dayton. Topic: Learn about a new way chamber members can save on energy audits; speaker: Energy

Optimizers, USA
GENERATION DAYTON SPEAKER SERIES, Jan. 31, 5:30-7:30 p.m., Miriam Atrium at the University of Dayton, 300 College Park Ave., Dayton. Topic: Keep your thirst for learning; speaker: Vincent Lewis, founder, Logos@Work
BREAKFAST BRIEFING, Feb. 10, 7:15-9 a.m., Dayton Racquet Club, Kettering Tower, 29th Floor,

40 N. Main St., Dayton. Topic: Speedway's growth in the region; speaker: Tony Kenney, president, Speedway
2ND ANNUAL SOUTHWEST OHIO LOGISTICS CONFERENCE, Feb. 14, 8 a.m. to 1 p.m., Sinclair Conference Center, 444 W. Third St., Bldg. 12, Dayton. Featured: Heidelberg Distributing Dayton, Caterpillar, Spectrum Brands (Armor All)

WORKPLACE

A rare corner of finance where women dominate

Elite group pushes for greater rights for shareholders.

Alexandra Stevenson and Leslie Picker
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Once a year, a small group of executives who control trillions of dollars in American companies meet for lunch in Manhattan. Among the things they discuss: pushing for greater say in how companies are run.

It is an elite gathering, but you will not see a single man in a suit in the room. The event, called the Women in Governance lunch, underscores a rare corner in finance where women dominate.

Women hold the top positions in corporate governance at many of the biggest mutual funds and pension funds — deciding which way to vote on the directors of a company board.

They make decisions on behalf of teachers, government workers, doctors and most people in the United States who have a 401(k). The corporate governance heads at seven of the 10 largest institutional investors in stocks are now women, according to data compiled by The New York Times. Those investors oversee \$14

trillion in assets.

Corporate governance is playing a growing role within the broader ecosystem of corporate America. Each spring, publicly traded companies hold shareholder meetings and outline business strategy for the coming year. Shareholders like BlackRock, T. Rowe Price and State Street vote on corporate strategy and issues including company board appointments and compensation.

Their votes can go a long way, given the huge stakes these institutions control in U.S. companies.

BlackRock holds a stake greater than 5 percent in 75 of the 100 largest companies, according to data compiled by Jerry Davis, a professor at the University of Michigan Ross School of Business. State Street has more than 5 percent of 23 of the largest companies, while Capital Group owns more than 5 percent of 20 of the biggest companies.

That power, however, is rarely wielded to confront companies. Most of the time, these huge institutional investors choose to vote with management.

And their approach contrasts sharply with that of brash activist billionaires like William A. Ackman and Daniel S. Loeb, who have made a name for themselves as

corporate agitators.

These investors bring about change by theatrically pounding on the front doors of companies and using the public court of opinion to bully companies into changing their strategies.

Still, the heads of corporate governance at institutional giants say they are working quietly behind the scenes to advocate for greater shareholder rights.

When Donna F. Anderson and her team at T. Rowe Price became concerned at a growing list of public companies that were creating more than one class of stock, effectively giving corporate insiders greater influence and say in the com-

pany, they used their vote to make a point.

Anderson, head of corporate governance, created a policy to vote against key directors at companies with dual-class share structures like that at Facebook.

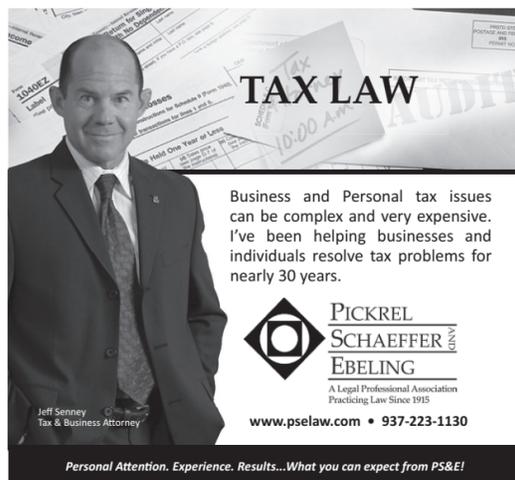
Now, Anderson's team is weighing whether to create a similar policy for gender diversity on corporate boards.

"We have an interest in seeing more women on boards because there is data that a more diverse board makes better decisions," said Anderson, who was at Invesco before T. Rowe Price and has been working in the field of corporate governance for two decades.

Efforts by mutual funds to change the behavior of a company by using the power of a proxy vote is a fairly recent phenomenon. For decades, powerful institutional investors automatically rubber-stamped the decisions of corporate

management and boards. At the same, many top executives paid little attention to the concerns of their shareholders.

"Many years ago, for every 10 letters we wrote, we generally heard back from half," Anderson said.



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