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THE BOTTOM LINE: A simple way to boost local economy

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The Bottom Line

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Imagine the economic ripple that would be felt if we all decided to do more business with companies based in the region.

For years, ShoLo, a group of mostly small business owners, has encouraged us to support independent businesses in the St. Joseph County community. The concept is that money spent with local companies stays in the community.

How interesting was it then that one of the area's largest companies -- Indiana Michigan Power -- embraced that concept by announcing Thursday that it had worked out a \$110 million credit facility with a group of regional and local banks to help it upgrade its power plants, meet increasingly stringent environmental regulations and improve its electricity delivery infrastructure.

"This financing strategy is a true win-win," Paul Chodak, I&M's president and chief operating officer, said in a release. "It provides I&M financing on competitive terms to support our ongoing efforts to provide reasonably-priced electric service now and in the future. Turning to banks within our region to fund our capital expenditures promotes a stronger local economy. That translates into more jobs and healthy local businesses."

For I&M, the decision marks a return to its traditional roots as a more independent operating company within the larger American Electric Power system.

Through much of the 1980s and 1990s there was a push within the electric utility to centralize more and more functions, including the financing of large infrastructure improvements.

It would have been common, in other words, for all of the financing for such projects to come from enormous institutional lenders that are usually based in Delaware, North Carolina and other financial hubs.

I&M is the first of AEP's operating companies to switch course and work out a credit arrangement with local and regional banks, says I&M spokesman David Mayne. But what was initiated here will likely be imitated by some of AEP's other seven operating companies.

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That's good business for AEP's companies wherever they're located. After all, the utility benefits if the region it serves is a little bit more vibrant because it is trying to do more business with companies in its region.

A total of 11 banks that have a combined 395 branches across Indiana and Michigan are involved in the financing agreement. PNC Financial Services and Fifth Third Bancorp are taking the lead, especially in terms of administration, but other participants include: Chemical Financial Corp., Centier Bank, 1st Source Corp., First Merchants Corp., Lake City Bank, Old National Bancorp, MutualFirst Financial, Salin Bancshares and STAR Financial Group.

"As a community bank, we are pleased to partner with I&M to help build and revitalize their infrastructure for the long-term," said Larry Mayers, regional vice president of 1st Source Bank in Fort Wayne. "I applaud I&M for taking the initiative. At 1st Source, we too prefer to do business with customers in our market.

Mayers' sentiment was shared by other participants in the credit agreement with I&M.

"Lake City Bank is proud to be a participant in this regionwide initiative by Indiana Michigan Power to include bank customers within their market area," said Eric H. Ottinger, executive vice president of commercial banking for Lake City. "Lake City Bank similarly focuses on doing business local and we applaud I&M's management for proactively soliciting our involvement."

What a nice, clean economic development idea.

Mayne wonders whether the contacts and the cooperation it took to form the regional banking alliance might serve as a pattern for future lending opportunities that perhaps none of the banks could venture into individually.

And what if every business in the region made the extra effort to work with more local vendors? And what if we as individuals made the effort to do more business with companies, shops and restaurants based in our area.

It doesn't take a great deal of economic knowledge to figure out that if a few more of our local dollars stayed in the region, we'd all be a little bit better off.

By the way, look for our profiles on 40 of the region's rising stars beginning in Monday's Tribune. We'll profile two of the 40 Under Forty honorees Monday through Friday through the end of the month.

Ed Semmler's The Bottom Line column appears on Sundays. If you have a comment or suggestion, contact him at esemmler@sbtinfo.com or at 574-235-6466.

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