

**Local Development Finance Authority (LDFA) Board**

**Minutes – October 3, 2017**

**Smartzone -2345 Meridian Street**

**1. Call to Order**

The meeting was called to order at 4:05 PM by Chair Sharp. Introductions ensued as MEDC Representative Fred Molnar was able to attend in person. Molnar is responsible for entrepreneurship and innovation for early stage tech companies.

**2. Roll Call**

Board members present:        Craig Krouth     Gary Sharp     Kristin Collins  
   Fred Smith     Fred Molnar

Other guests:                        Eric Becks       Tracey Laitinen  
   Jeff Holt         Oliver Turner

Absent:                                 Margie Hank     Dan Reattoir     Tom Veum

A motion was made by Smith to excuse those absent. Support by Collins. Motion carried.

**3. Agenda: Changes, Additions, or Deletions**

MEDC Smartzone Addendum was added as item #10.

**4. Matters presented by the Public**

None at this time.

**5. Approval of Minutes – March 2, 2017**

A motion was made by Krouth to approve the minutes. Support by Smith. Motion carried.

**6. Reappointment of Craig Krouth & Tom Veum with term ending 12.31.2021**

Collins made a motion to reappoint Krouth and Veum with a term to expire on 12.31.2021. Support by Smith. Motion carried.

**7. Election of Officers for a term of 1 year to expire annually in March**

Sharp brought the slate of current offices to the table as follows:

Sharp – Chair  
Hank – Vice Chair  
Collins – Treasurer  
Reattoir – Secretary

Krouth made a motion to approve the slate of officers as presented. Support by Smith. Motion carried.

**8. Finance report ending 6.30.17**

Collins reviewed the close out of FY2016 and noted that the LDFA took a loan from the general fund in the amount of \$6000 to cover the shortfall. Additional funds may be requested from TIFA III in the future. Collins

noted that no future expenses will come out of this fund including Smartzone operational boiler fees. Taxes were refunded in the amount of \$3085 due to change in value of principal residence.

Smith made the motion to approve the finance report as presented. Support by Krouth. Motion carried.

**9. 2017-18 Finance report and projections for 2018-19**

Collins distributed report ending 9.30.17 noting September is the highest tax collection month. Revenue collected is at 56% of budget at this time. Transfers in from TIFA III are at 5%. The budget of \$30,000 is in error as a previous agreement supports Smartzone building operations from TIFA III for 2 years due to taking over on 7.1.16. After that there is not support coming from LDFA or TIFA III for building operations at this point, but that may have to be revisited at a later date. Debt service amortization was reviewed.

Then in reviewing projections beyond 2019, revenue is expected to increase so no funds are estimated from TIFA III at this time. Collins noted that the only expenditure for LDFA is the debt service/bond obligation and then the promise to repay TIFA III. The Meijer valuation as of 12.31.16 was at 56% of taxable value at \$31,700 and is expected to double for 2018-19.

Smith made the motion to approve the finance report as presented. Support by Krouth. Motion carried.

**10. Addendum to Smartzone agreement**

Molnar presented his perspective on the new addendum that was handed down the from Community Development division at MEDC. This agreement would bring all SmartZones in compliance with the reporting requirements. Each LDFA will need to go into the MEDC portal and enter the information for 2016 by 12.1.17 and 2017 data by April 2017. Discussion was had on why we would have to report on 2016 if the addendum was effective in 2017. Molnar explained that many Smartzones will have trouble obtaining these statistics, but that we need to use the numbers we can support. Collins noted that City Finance has no issues reporting on items 1-4 and 10-12; because they are already shared with the Department of Treasury and are audited. Lengthy discussion was had on who would have the best data as far as jobs, investments, etc. and since our Smartzone geography is the entire City of Sault Ste. Marie, it is not simple to track. Becks offered to report on items 5, 7, 13 because he tracks that due to his Gatekeeper grant. It was not determined where the other 3<sup>rd</sup> party data would be obtained. Molnar supports the idea that reporting will increase communication between the MEDC, LDFA, Smartzone and City as well as the public. Molnar explained that in the future a methodology will be developed to create a universal reporting matrix to calculate "number of jobs". This would essentially be a multiplier. Collins noted that this is very subjective and difficult to verify. Molnar gave the example of Ann Arbor Spark and how they use surveys and employ a person just to handle data collection and still only get a 30% return so that is solely what they report to MEDC. Sharp agreed that our LDFA does not have the expertise to report on everything that this addendum addresses. In summary, our LDFA would like to see the addendum modified to reflect that we can report on the financials, but will be relying on a 3<sup>rd</sup> party for the jobs and investment portion of the reporting. Molnar did not think the addendum could be modified, but understood the reason for the change. Turner inquired if we could wait for the methodology to be provided before we sign this addendum as well as report for 2016 and 2017. Molnar was not sure and recommended contacting MEDC's Community Development Department. Tuner noted that this addendum would need to be reviewed and a motion made by the LDFA to take to City Commission as several signatures are necessary including the Mayor, City Clerk and LDFA Chair. Collins inquired as to the penalty for not reporting. Molnar explained that all the Smartzones are unprepared for this report and will struggle to fill it out. Collins suggested that we may be able to pull numbers together by looking at the number of building permits pulled at City Hall. Sharp advocated for compliance, but

also wants to protect our Smartzone and the City, especially for future funding. Discussion was had on if the reporting was for the Smartzone building or the Smartzone geographically and Molnar agreed that the term Smartzone is synonymous with LDFA district. At this time the addendum was tabled and the group agreed to send a letter from the LDFA to MEDC's Community Development Department Jim Tischler and Lori Mullins and then meet again once we have their response. This would go to City Commission then in November so we could meet the 2016 filing deadline of 12.1.2017.

Motion by Krouth to table the Smartzone addendum until further clarification is received from MEDC. Support by Kristin. Motion passed.

**11. 2018 Meeting dates**

Laitinen included a handout and it is expected that at a minimum LDFA will meet next March and October.

**12. Status Reports**

a. Becks gave a status update on SSMart noting that at the last Smartzone meeting SSMart donated all the office furniture and equipment to the EDC since they are operating the building.

b. Holt gave a report on Smartzone operations describing details of the program companies sign onto when they utilize office space and the support they receive.

**13. Other Matters**

None at this time.

**14. Adjournment** – Smith made the motion to adjourn at 5:15pm, support by Krouth. Motion passed.

***\*No meeting is scheduled at this time but we anticipate meeting prior to the end of October once a response is received from MEDC.***