

**Valley City-Barnes County Development Corporation Special Board Meeting
Friday, September 25, 2015
7:00 a.m., Regional Technology Center, 415 Winter Show Road (Training Lab)**

PRESENT: Paige Bjornson, Tony Kobbervig, George Gaukler, Wade Bruns, Luke Trapp, Mary Simonson, Mike Metcalf, Josh Kasowski, JoAnn Hooper, Bobby Koeppin, Jennifer Feist and Alicia Hoffarth.

ABSENT: Bill Carlblom, Tisa Mason and Leighton Smith

EX-OFFICIO: Matt Pedersen, City Commission, Chad Petersen, KLJ, and Keith Andersen, ICTC

President Paige Bjornson called the special meeting to order at 7:00 a.m.

Second planning meeting scheduled for Wednesday, October 21st from 7:00 a.m. to 9:00 a.m. same location.

LONG TERM PLANNING

PART 1 – FINANCIAL INFORMATION

LONG TERM FINANCIAL PROJECTIONS:

2015 sales tax projections lowered in 2015 due to first 6 months of actual receipts. Second half of the year is typically higher than the first six months. Still have confidence in projections, which show a 3½% growth rate per year given our 22 year history. Will adjust 2015 later on as actual numbers become available.

County – projections show 2.34 mills for 2016 and 3 mills thereafter; 2% increase in value per year.

Wellness Center - \$750,000 total.

\$50,000 per year for 5 years from County Mill Levy Fund (annually approvals required)

\$50,000 per year for 10 years from City sales tax

Community projects include child care grant program of \$100,000 allocated over 2015/2016 (\$50,000 from City and County each).

2016 through 2019 – We have \$1,225,000 to invest in primary sector job creation based on \$10,000 per job for manufacturing and \$15,000 per job for technology. May need to adjust based on company needs.

Tax Increment Financing is generating \$77,000 per year in revenues; property taxes for John Deere's improvements are about \$62,000 per year, which is the amount we would pay over 5 years as the value of John Deere's property tax exemption. After 5 years, the \$62,000 is used to make bond payments. We are able to capture additional increase in value on I94 RDC property and use revenues to pay bonds. Can be used to provide incentive to company.

Corporate Assets-Summary shows what the Corporation owns and revenue that could be generated. Net assets are the value of the asset recorded at cost less balance of any loans. In addition, it shows the amount of restricted funds if we were to liquidate our assets.

RTC –\$1.4 M asset based on cost, restricted funds of \$1,077,569 – City, County, EDA

Tech II – \$2.6 M asset, \$1.6 M debt, restricted funds of \$720,000

Eagle Creek ND Jobs Training Program received \$400,000 from City, \$100,000 from County; \$250,000 left to recoup on second ten-year contract. If state income tax withholding is not enough to repay the loan, it converts to a grant based on contracts we have in place with the City and County. Property Management fees typically are 1% to 5% based on income generated by property.

NW Industrial Park Building-\$857,082 asset value, \$353,336 due to VCBCDC, and \$48,000 due to City (General Fund); restricted funds of \$401,336.

The Corporation has contracts in place with the City and County that require us to return proceeds from property sales to economic development funds (City sales tax and Barnes County mill levy funds) based on the original amount of public funds invested in a project, prorated to each fund. Interest of \$21,000 is due to VCBCDC each year, which is 6% on the \$353,336 loan.

Define the tax liability and shareholder impact if we were to sell this property. Need to invest some funds to upgrade the building. We are using this building as collateral for the Flex PACE Line of Credit. Efforts continue to clean up the shareholder list and transfer shares back to the VCBCDC.

Land Summary-Technology Park, NW Industrial Park and I94 RDC land total \$1.7 million recorded at cost; most is restricted. Total special assessments for all properties is \$20,507.80. What is the potential market value of assets? Note that we have access to additional City owned land in NW Industrial Park for development (about 18 acres). Would also like dates buildings were built.

Note: Mary Simonson left at 7:55 am.

Flex PACE-Established a pool of \$200,000 from unrestricted funds. With current projects, we will have negative cash flow in 2021 and 2022. Projections assume we repay the City sales tax funds received for the housing incentive program and 0% program. Able to cash flow early years without drawing on line until 2021. New Flex PACE projects-projections assume 10 new projects of various sizes and amounts. Projections show cash flow that requires drawing on line, paying interest at 5% and repaying 100% of the draw each year. Continue adding new projects and paying off old ones. Note that interest rates could change from 5% +/- . To date, \$20,599 in fees has been collected, estimate \$10,000 per year. Fees stay in program at this time. Review fee schedule and discuss using for administrative costs. If projects go south, how do we pay for that bad debt? Not in cash flow, need reserve. Add a line item in projections for allowance for doubtful accounts. Flex PACE has been a great program for the community.

Global Cash flow

VCBCDC – unrestricted 10/01/2014 - \$203,605 (from 9/30/14 year-end financial statement)

Projected 9/30/2015 - \$206,053 plus \$100,000 of good receivables from Flex PACE

Restricted funds projected 9/30/15 - \$164,960

VCDC - \$15,500 cash provides 8 months of operating for NW Industrial Park building.

Provided history of administrative dollars from City, County, Membership, County Mill Levy funds and City sales tax received. Development Corporation projects are helping to drive the increase in taxable values and sales tax values.

Part II - Next Meeting - October 21st at 7:00 a.m.

1. JD North Building- shareholder list, tax ramifications if building is sold, building improvements needed, and set up a date to tour the building
2. Flex PACE- review fees
3. Goal of becoming independent for the administrative budget and using City sales tax/mill levy funds for projects
4. Review our Mission – What do we want to do and are projects within our core values.

Good overview of what the Corporation is doing. Really shows what the Development Corporation is doing for the community. Need to have the resources dedicated (City and County funds) so we can take advantage of opportunities.

There being no further business President Paige Bjornson adjourned the meeting.

Respectfully Submitted

Jennifer Feist
Director of Development