

**Joint Economic Development Organization Board Minutes
May 26, 2009**

Greater Topeka Chamber of Commerce Board Room, Topeka, Kansas, Tuesday, May 26, 2009.

The Joint Economic Development Organization (JEDO) Board members met at 3:00 P.M., with the following Board members present: City of Topeka Councilmember Richard Harmon, Chair; City of Topeka Councilmembers Larry Wolgast, Bob Archer, Karen Hiller and Sylvia Ortiz; City of Topeka Mayor Bill Bunten; and Shawnee County Commissioners Vic Miller, Shelly Buhler and Ted Ensley.

Councilmember Harmon called the meeting to order.

SELECTION of the 2009 JEDO Board Presiding Officer was presented.

Commissioner Miller moved to nominate Mayor Bunten to serve as the 2009 JEDO Board Presiding Officer. The motion seconded by Commissioner Ensley carried unanimously.

Councilmember Harmon announced that Mayor Bunten would serve as the 2009 JEDO Board Presiding Officer.

MINUTES of the JEDO Board meeting of November 20, 2008, were presented.

Commissioner Miller moved to approve the JEDO Board Minutes of November 20, 2008. The motion seconded by Councilmember Wolgast carried unanimously.

2008 FINANCIAL STATEMENTS and Independent Auditor's Report for the Growth Organization of Topeka/Shawnee County, Inc., was presented by Doug Glenn, Mayer, Hoffman & McCann, P.C. *(See Attachment A)*

Mr. Glenn gave a brief overview of the financial statements and the Independent Auditor's Report submitted to the Board on May 1, 2009. He stated that it is their responsibility to express an opinion on the financial statements based on the audits they have conducted. He discussed the following points:

- Statements of Financial Position regarding assets, liabilities and net assets
- Statements of Activities regarding revenue and expenses
- Statements of Cash Flows regarding operating, investing, and financing activities
- Accompanying Notes relating to the financial statements

He reported that no significant changes, deficiencies or material weaknesses were observed. He stated that the Organization implemented the recommendation to set up an accounting system to report functional expense allocations on a monthly basis which could provide the Board and management with improved financial information. He reported that they did not encounter any difficulties with management in performing the audit; no misstatements were noted; and no consultations with other accountants during the audit process were observed.

Commissioner Buhler moved to approve the 2008 Financial Statements and Independent Auditor's Report. The motion seconded by Councilmember Wolgast carried unanimously.

2009 ECONOMIC DEVELOPMENT JEDO BOARD Quarterly Report was presented by Steve Jenkins, Greater Topeka Chamber of Commerce/GO Topeka. *(See Attachment B.)*

Mr. Jenkins stated that they should see a significant increase in numbers during the next quarter. He also stated that the marketing team has created new brochures and "We Can Do That" buttons to enhance marketing strategies. The following key points were discussed:

2009 Performance Summary

Attraction Team Leaders: Kathy Moellenberndt and Jo Feldmann
Total Leads/Inquiries: Annual Goal: 750 Actual to Date: 102
Total New Qualified Projects: Annual Goal: 50 Actual to Date: 6
Number of New Jobs: Annual Goal: 300 Actual to Date: 0
Capital Investment: \$40 Million Actual to Date: 0
Current Active Projects: 6
Potential total new jobs for active projects: 3191
Potential new investment from active projects: \$979,500,000
GO Topeka-hosted project visits: 0
Companies making multiple community visits: 0
Community visits to project companies/HQs in 2009: 0

Existing Business

Team Leader: Dan Schemm
Number of Annual Company Visits: Annual Goal: 200 Actual to Date: 42
Number of Education Programs: Annual Goal: 9 Actual to Date: 3
Surveys Completed with Reports: 0
Number of Recognition Events: 1
Number of Companies Materially-Assisted: 45 (majority of businesses assisted during the Highway 24 project)
Number of Retention Project Files Opened: 2
 Estimated number of jobs retained: 865
 Estimated annual payroll: \$421,854.69
 Current tax base: \$421,854.69
Number of Expansion Project Files Opened: 5
 Potential New Jobs: 138
 Potential New Investment: \$4,000,000
Expansions: 1
 Number of New Jobs: 0
 Capital Investment: \$61,500,000

Workforce Development

Team Leader: Jo Feldmann

Workforce Skills Assessment annual goal is to be completed by the end of 2009.

Workforce Sector Roundtables annual goal is to have roundtables established and functioning by the end of 2009.

Status: Roundtables will continue monthly; however, the financial roundtable for the month of April was cancelled due to the low attendance which they believe was due to the economy and the banking situation. A decision will be made on when the next monthly sector roundtable would be held.

WorkKeys Pilot Project annual goal is to be established by the end of 2009.

Status: Staff met with Shawnee Heights High School in early March and the group was receptive to the testing component and may have a few students too offer testing to late this spring. The work continues with other high schools in the community and attendance will be required with Steve Anderson in order to adequately answer questions presented during these meetings.

Workforce Data for the Website is being gathered and should be posted by June 1, 2009.

Entrepreneurial/Minority Business Development

Team Leader: Cyndi Hermocillo-Legg

Number of DBE Businesses Materially-Assisted: Annual Goal: 100 Actual to Date: 37

Number of DBE Business Jobs Created: Annual Goal: At Least 20 Actual to Date: 10

Status of Community Development Finance Institute (CDFI)

Annual Goal: Certification by the end of 2009

On-going project with an investment of 74.5 staff hours

Work to establish at least \$200,000 to start the program

Number of Education Programs Conducted: 13 (302 attended)

Number of Entrepreneurs/Small Businesses Counseled: 116 (91% DBE defined clients)

Number of Entrepreneurs/Small Businesses Referred to other sources: 117

Number of Entrepreneurs/Small Businesses Materially-Assisted (5): 37

Number of "Primary" Entrepreneurial Jobs Created: 0

Brochures have been created for ongoing assistance for small businesses.

Implementation of NaviTrac a delivery system for entrepreneurial development which includes pathfinder assessments.

Capital Investment between 2002 and 2008 is \$496 million; and an additional \$323 million was invested in the community between January 2009 and May 2009.

Go Topeka Results: Jobs and Capital Investment Since 2002:

Companied helped: 52

New Jobs: 3,403

Retained Jobs: 2,927

Capital Investment: \$819 Million

PROJECT TONKA Incentive Proposal for Goodyear Tire & Rubber Company was presented by Doug Kinsinger, Greater Topeka Chamber of Commerce/GO Topeka.

Project Description:

- \$250 million modernization of the off-the-road large construction equipment tire line.
- Retention of 1,400 employees.
- Solidifies the Goodyear operation in Topeka.

Proposed Incentive:

- \$500,000 (this amount is a carryover from a previous incentive of \$750,000 for modernization of the radial truck tire line) only \$250,000 will be claimed.
- Payment would be \$2,000 for every \$1 million invested.
- Company must maintain a minimum employment of 1,400 for 10 years.
- If employment drops below 1,400 the company would need to pay back a proportional amount of the incentive paid to date.

Commissioner Ensley asked how job retention would be verified.

Doug Kinsinger stated that Goodyear Tire & Rubber Company is audited on an annual basis by a professional accountant representing the Chamber.

Mayor Bunten stated that due to the unstable economy it is very important to keep Goodyear Tire & Rubber Company in the area.

Steve Jenkins reported that there is a high demand for off-the-road large construction tires worldwide creating a high profit margin for the company.

Councilmember Wolgast asked how long the project would last.

Doug Kinsinger reported that the project could last up to 10 years; with the majority of the work taking place during the next year. He also reported that the investment would be in equipment only and not the facility. He noted that the State of Kansas is contributing approximately \$14 million toward the project and it is very important for GO Topeka to also invest in the project.

Commissioner Ensley moved to approve an agreement between GO Topeka and Goodyear Tire & Rubber Company authorizing the allocation of \$500,000 to the Goodyear Tire & Rubber Company. The motion seconded by Councilmember Wolgast carried unanimously.

PROJECT CAMPAIGN Incentive Proposal for U.S. Food Services was presented by Steve Jenkins, Greater Topeka Chamber of Commerce/GO Topeka. He reported that they anticipate more proposals in the future similar to this one because cash advances are becoming important due to the state of the economy.

Project Description:

- \$13 million investment for a 70,000 square foot facility expansion
- Retention of 175 existing jobs and the addition of 20 new jobs
- The State of Missouri aggressively pursued the project because the Kansas City Metropolitan area is more centrally located for shipping to their customers
- Average existing wage is \$24.50 per hour plus benefits (\$50,225 per year)
- New hires average wage is \$19.23 per hour plus benefits (\$40,000 per year)

Proposed Incentives:

- \$5,000 for each retained and new jobs; total not to exceed \$1 million
- Paid under four possible alternatives for a ten-year employment commitment
- If the company fails to maintain 175 jobs and add 20 new positions within 3 years, the incentive recovery after the initial payment will be proportional to the percentage drop in employment (195 jobs)
- The capital investment must be complete no later than December 31, 2010. If this is not accomplished, incentives paid up to that point must be reimbursed with interest. No further incentive payments will be made until the capital investment is completed and the retained threshold is met. Four alternatives were being considered for payment of the incentive.
 1. Payment up front of \$875,000 for retention of 175 employees. GO Topeka would have a 2nd lien for \$875,000 on the balance of the building after the release fee of 110% which is approximately \$13.28 million. This option is subject to approval of the lender and would sunset after ten years, the end of the performance agreement.
 2. Three-year pay out with 1/3 of the \$875,000 being paid each year for three years. (\$291,666.67 per year for three years.)
 3. Weighted five year pay out with 50% of the \$875,000 paid in year one with a 12.5% pay out over the next four years. (\$437,500 paid in year one; \$109,375 paid in years two through four)
 4. Five-year pay out with equal amounts paid each year for five years. (\$175,000 per year for five years)
- The company is obligated to maintain the jobs for 10 years from the time of the agreement.

Doug Kinsinger, Greater Topeka Chamber of Commerce/GO Topeka stated that it is important for the Board to determine which option is best.

Commissioner Miller expressed concern with what date would be used to begin measuring job retention. He noted that the project would not be complete until 2010.

Doug Kinsinger stated that the date would coincide with the date the agreement is signed, which would be within the next 30 to 60 days if the proposal is approved.

Jeff Wietharn, Coffman, DeFries & Nothern, P.A., asked if the job retention start date could be extended.

Doug Kinsinger stated that U.S. Food Service is requesting a cash advance as soon as possible, and details of the measurement points could be defined at a later date.

Commissioner Miller asked if GO Topeka is recommending approval of all four options or one specifically.

Doug Kinsinger stated that GO Topeka would recommend approval of any of the options because they believe all of the options offer a safeguard for the use of public funds.

Commissioner Miller suggested that Option No. 4 be eliminated because a cash advance is being requested.

Commissioner Miller moved to approve Option Nos. 1, 2 and 3. The motion was seconded by Commissioner Ensley.

Doug Kinsinger stated that it is important to make sure that a financial base has been secured in case the economy declines dramatically.

Jeff Wietharn reported that if the facility expansion is completed ahead of schedule then the job retention start date could also be moved forward.

Commissioner Miller stated that he believes they should wait to begin measuring job retention until the construction phase is complete. He asked if a clawback provision is included in the proposal.

Doug Kinsinger reported that the clawback provision includes a 10% reduction in annual funding; a \$5,000 reduction in funding for each new job not filled or existing job not retained; the construction phase could not last more than 18 months; and the contract start date must begin within the next 30 days.

Mayor Bunten stated that although U.S. Food Services is a very successful company, it is a private company that has not yet supplied their financial statements for review.

Doug Kinsinger stated that U.S. Food Services has agreed to provide the necessary financial documents for review for the past three years if it is presented and reviewed in a confidential.

Mayor Bunten requested that an additional meeting be scheduled if there are concerns regarding the Company's financial status.

Councilmember Archer expressed concern with placing a second lien on the property. He noted that there is already a large commercial facility that is vacant located near the property making it difficult for resale.

Doug Kinsinger reported that U.S. Food Service plans to pay down the current mortgage on the facility making the company a worthy asset holder.

Rick Wienckowski, Hill's Pet Nutrition stated that U.S. Food Service is a strong growing business that offers an excellent fallback position.

Mayor Bunten suggested conducting an environmental survey on the facility.

The motion to approve Option Nos. 1, 2 and 3 carried unanimously.

Doug Kinsinger, Greater Topeka Chamber/GO Topeka reported that the Population Trends Report would be presented at the next meeting. He stated that he believes there will be positive results to report.

NO FURTHER BUSINESS appearing the meeting was adjourned at 4:33 p.m.