

Lorain Port and Finance Authority
Board of Directors
Joint Committee Meeting
Contract Management & Strategic Development Plan
Train Station
Tuesday, September 1, 2020, at 5:00 p.m.

Committee Members: Messrs. Kuzsnir, Nielsen, Zellers and Zgonc (Marketing)
Messrs. Kuzsnir, Mullins and Zellers (Strategic)
Not enough members for Financial Planning & Audit Committee

Board of Directors: None

Staff: Tom Brown, Executive Director
Tiffany McClelland, Economic Development Director
Yvonne Smith, Accountant
Kelsey Leyva, Office Manager
Mike Brosky, Esq., LPFA Attorney
Lil, Goose Dog

Guests: None

I. Roll Call

A. The Joint Committee Meeting was called to order at 5:07 p.m. by Chairman Jeff Zellers (contract) and Chairman Matt Kuzsnir (strategic). Roll call indicated a quorum present for the Contract Management and Strategic Development Plan Committees.

II. Disposition of Meeting minutes

- A. **Motion by Steve. Second by Mr. Kuzsnir. Motion carried**
- B. **June 5, 2018: Motion to approve by Mr. Bansek. Second by Mr. Bansek. Motion carried.**
- C. **August 14, 2018: Motion by Mr. Kuzsnir. Second by Mr. Bansek.**

III. Report of Chairman

A. Joint Discussion for Stage Improvement Project: Mr. Brown said the ultimate goal in year five of the strategic plan is to be breaking even or making money. If we don't track our progress, then we'll never really know. COVID-19 has not helped with year two at all. Whether it's a character-based lending program, or a PACE

lending program or a small business revolving loan program, in order for us to be able to offer our own fund or lending program, we would have to monetize it. In working this year, Kelley's Island is bringing in revenue we wouldn't normally get. Ms. McClelland has worked on the project for about four years. Mr. Brown said he and Ms. McClelland have discussed using some of that revenue to establish an economic development fund. Another idea would be taking the fees from our PACE or Construction Finance deals, such as the hotel, to establish the fund. He said the Port has a stable budget and we keep up on our facilities consistently. The resolution included in the packet sets up guidelines. For example, if we receive a \$10,000 fee for financing services, instead of it just going into the general fund, it will go into the economic development account within the general fund. Mr. Brown said he's talked it over with Ms. McClelland and they see three basic premises for the fund. One would be a loan or grant program that we administer. Another is funds for grant matches. He said JobsOhio has \$50,000 grants that, if we receive them, we would be responsible for \$25,000. This separate account will help us be prepared when opportunities arise. Mr. Brown said we also have the \$10,000 threshold policy, which means anything over that amount would have to go before the board anyways. The resolution essentially helps us establish a good accounting practice. Last of the three premises for the separate account is it could go toward financial and legal advisors. Those would be the only three uses for the ED account, so far. If we are successful in this, we could add on to the list of purposes for the account. If we add a new employee someday to administer a loan program, we could track that person's salary coming from that fund. We can always assess and change the parameters of the account as we grow. Mr. Brown said this is ground zero. He then opened the floor to questions and suggestions. Mr. Mullins said he has a lot of questions about how the structure will work, limitations, what's the perception to the taxpayer, is this something we're going to supplement, is this a separate entity, etc. Mr. Brown said Ms. McClelland is an employee of the Port and her primary focus is the economic development portion of our mission. Mr. Mullins asked what happens if we have a bad month? Mr. Brown said we will at some point. Mr.

Mullins asked what the liability is to the organization in that situation? Ms. McClelland said that is a different conversation. This resolution doesn't set up a revolving loan fund, but she agreed there are mechanisms we will need to consider and put in place when we set up those programs. If we dedicated \$100,000 to a revolving loan fund, leveraged it out and someone defaulted on their \$25,000 loan, then yes, we would be out that \$25,000. But that is a secondary conversation. We're just talking about focusing our revenues to be able to create programs in the future. Mr. Brown said this is more of an accounting principle or the first step in dedicating funds to economic development. We could track our economic development expenses and revenues without having it segmented out, but this makes it easy and clean to track as we go. When we went through the strategic plan process, Mr. Brown said he remembered three or four board members saying that we needed to start dedicating funds to economic development. Mrs. Smith clarified that this wouldn't actually be an additional "fund" as we do not have the authority to create that without Auditor of State permission. This is an account within the general fund. Ms. McClelland said the idea behind having a resolution is that if our entire nine-member board changed tomorrow, it wouldn't necessarily impact the progress made or alter the intentions of the organization. Mr. Mullins said a new board could also vote to change it. He said he wants the strategic plan to move forward, but he's a little confused on the path. He believes in working to become self-sufficient, but he wants to be sure we're moving toward that in a logical way and thinking everything through. Mr. Zellers said he could see the board voting for each project individually and supporting it. He said we made the decision as a board with the KIFBL Project to take the risk. By setting up a separate account for economic development revenues, how does it change the board's role then? Mr. Brown said this sets up a procedure. Right now, there isn't one. Say hypothetically we close a deal with Cold Storage for \$250,000 in fees. Mr. Brown said when people heard about our KIFBL Project, we almost immediately got request for donations. If we as an organization say the \$250,000 fee goes toward economic development, A. it takes away some of the requests and B. it's setting

up a catch all so you're not forgetting to reinvest in economic development. Mr. Nielsen agreed and saw the benefit in having economic development revenues separate. Mr. Zellers clarified that everything goes into the general fund currently. Ms. McClelland said yes. Mr. Zellers appreciated Mrs. Smith's clarification about a fund verses an account as the board still has control over the fund and what's done with the money. Mr. Nielsen said it's just a line item. We can decide what the fees are used for. Mr. Mullins played devil's advocate and asked about the perception of the public. Will people still vote for the levy if we're self-sufficient? Mr. Brown said Cuyahoga and Toledo County Port Authorities run successful programs and have levies. Ms. McClelland said if revenues from private industry, such as Cold Storage, were set aside for a revolving loan fund program, we could say that only the hypothetical \$250,000 is at risk. Our general fund, the taxpayer dollars, would still be dedicated toward our facilities (BRL) and salaries, which is a better perception. Mr. Mullins said his concern, which may be forward thinking, is we don't have someone qualified to run a revolving loan program. He thinks we would need additional staff. Ms. McClelland said she would recommend against a revolving loan program that was independent of a bank partner. She would want to partner with Northwest or Buckeye or some community bank. They provide the expertise. She said our board would be involved, but she recommended against having anyone on our current board also on the loan board. There would be a little separation. Mr. Nielsen said we'd partner with a bank, so we may contribute to or supplement a loan through our fund. These would be small \$5,000 loans. Mr. Mullins clarified the ask is for support or authorization for a separate account for economic development revenues. Ms. McClelland said yes. Mr. Mullins asked if those specific revenues would be identified? Ms. McClelland said yes, we can specify those out. She and Mr. Brown identified grant funding matches for economic development, potential loan funds, property acquisition. We can add and edit. Mr. Zellers agreed additional items can be added and changed as we develop. Mr. Brown said this is a resolution to set up ground zero. Mr. Mullins said he would like to decide which account the money goes into per deal or project. Mr. Brown said that is

opposite what the resolution aims to accomplish, and we can do that, but we would have to come back to the board much more often. Ms. McClelland said we administer the Energy Special Improvement District (ESID) for the City of Lorain. Every Property Assessed Clean Energy (PACE) deal we do, we get .5 percent. Ms. McClelland currently has six PACE deals she's working on. Twice a year, you would have to be approve each one and some are only a couple \$100. The resolution could be set up for only PACE revenues if the board prefers. Mr. Zellers said even if it's a \$100 deal, he likes to know it happened. He said Mrs. Smith already provides that information and doesn't see an issue as long as we can still transfer between accounts if needed. Mr. Mullins asked if we could transfer money into the account from the general fund? Mrs. Smith explained the economic development account would be a subset within the general fund. Mr. Mullins asked if there were any implications legally or otherwise? Mr. Brown said we can achieve it either way, but when we began our strategic plan discussed setting aside money for economic development. It could be that we come to the board for each deal, or it could be that 75% of the proceeds from the KIFBL Project goes into this account. Mr. Zellers asked how we handle revenues currently? Does any go toward the strategic plan? Ms. McClelland said kind of. Mr. Brown said economic development appropriations are broken out in the general fund, such as Ms. McClelland's salary. This is the other side of it. He said if we got \$100,000 from a deal next week, the board or city could potentially ask for it to be used on something other than reinvesting in economic development. Mr. Zellers asked how we're doing financially. Mr. Mullins said from the monthly budget reports by Mrs. Smith, we're doing well. Mrs. Smith said yes, and we've received a majority of the levy. We may get \$5,000 more before the end of the year. Ms. McClelland said we can make a report with all of the economic development projects and revenues. Mr. Brown said if there isn't support for the resolution, we can present economic development deals monthly and revisit this at a later time. He believes the revenues from economic development should be separated out for economic development programs so we're ready when opportunity comes knocking. Mr. Nielsen said if we pass the resolution and 6

months or a year later it doesn't go as we planned, we can always go back to how we operate now. The resolution isn't concrete. Ms. McClelland said in a terrible, worst-case scenario, if we start setting this money aside and then our strategic plan backfires, we can always pass another resolution to use the money for something else. Mr. Mullins said he still would like further clarification on how the board decides which economic development revenues go into the separate account. Ms. McClelland said ideally, she would ask that the KIFBL Project fees go into the economic development account. By the end of this year, we'd have \$100,000 in this account. There's a JobsOhio grant coming out that will let us do a market study on our 24 acres so that we can potentially put in a seaway and have a shipping facility there. She will be coming to the board in December with the grant application for a \$25,000 match, and she would be able to say definitively the funds are available in the economic development account if we set it up. The board would still need to decide on the grant application. Mr. Mullins asked if it would be a case-by-case basis? Mr. Nielsen said he thinks it could be done in baby steps. In this resolution we create the account. Then, after it starts filling up, we can determine what we do with it. Mr. Kuszniir said that sounds contrary to the strategic plan. He said he remembers the reason CDFA wanted to separate out ED, so we can strategically concentrate those funds back into economic development. He doesn't see the sense in coming back every month for approvals. Mrs. Smith said within our general fund, we do have TIFF listed out. We also have the Horizon, Ariel on Broadway and Kelley's Island. She considers all of those economic development revenues, but the board can set it up however they wish. It could be project by project, a percentage or all together. It just needs to be clear. After the fact would be much more complicated and would lead to questions from the auditors. Mr. Mullins asked for clarification. Mrs. Smith recommended deciding how economic development revenues will be handled beforehand. Mr. Zellers said he is good with that, but still wants each project or deal to be reported to the board. Mr. Zgonc said we get that now. It's even color coded. We see it every month. Ms. McClelland said the way the resolution is worded now, economic development revenues including project fees

obtained from Port Authority transactions, including but not limited to any finance mechanisms (bonds, PACE, TIF), incentive structure and project management would be set aside in the economic development account. Mr. Kuszniir said he thinks the wording is perfect. Mr. Mullins asked if economic development expenses would also be taken from that account? Mr. Kuszniir said we could in the future budget for travel and transportation or continued education. Mrs. Smith said she could pass around a report that shows TIF revenues since 2019. She thought expenses related to economic development projects would come from there, but she wasn't sure about salaries. Mr. Kuszniir asked if salaries was already a separate account within the general fund. Mrs. Smith said yes. Mr. Mullins asked if a percentage of the economic development revenues would go toward Ms. McClelland's salary? Mrs. Smith said the board can decide to do that if they want. Mr. Zellers said not in the first year. He can see that down the road. Mr. Mullins agreed. He said it sounds like everyone is on the same page. Mr. Brown said we can handle it either way, but the resolution streamlines the process. He said at some point for a PACE or revolving loan fund, we'll need to set up something with a bank. We're not there yet, but we need set aside money for the future. Mr. Mullins pointed out it's also flexible. Mr. Brown said no action is needed tonight and the topic could go to committee again. He asked board members to send an email with any recommended changes or additions. Mr. Nielsen said he wouldn't want certain properties being included in economic development revenues if we sold them. He said the land was secured with general fund dollars and thinks proceeds should go back to the general fund. Mr. Brown said he thinks the sale of a property should come before the board every time. Mr. Nielsen said he thinks anything purchased through the general fund should go back to it. Mr. Zellers suggested using the \$10,000 threshold, so the board would decide what happens to the profits that exceed that amount. Ms. McClelland said that would essentially defeat the purpose of the resolution. Mr. Zellers said he's thinking about the KIFBL Project specifically. He said Ms. McClelland has spent a lot of time working on it. So, should some of that fee go into the general fund? He thinks that's a decision the board should make. Mr.

Nielsen said the KIFBL Project is the first we've seen to make a lot of money, so we have to determine what the board is comfortable with. He said if money starts flowing, we can always go back and change it later. Mr. Brown said the important part for him is establishing a habit. We'll look at the language and throw it to a committee. He sees the resolution as a temptation killer. Mr. Brown said the plan is to review the language and bring an updated resolution to the board. If the board is still uncomfortable, we can handle each deal case by case. He said worst case scenario if the board can't come to a consensus, he will come with a resolution specifically for the KIFBL Project. Mr. Mullins said he's good with the resolution the way it is and then transferring money to another account later if needed. He believed it was a good conversation. Mrs. Smith said a substantial amount has come in so far from the KIFBL Project. She asked if the resolution would be retroactive? Mr. Mullins said he thinks it should be. Mr. Zgonc asked if we were the official economic development agency for the City of Lorain? Mr. Brown said we'll absolutely work with the city. He was hoping that would be memorialized by the city, and it didn't come to fruition. Mr. Zgonc clarified that was recommended in our strategic plan. Mr. Brown said yes it was, but we've talked to CDFA and rework some of the language. The plan was based upon conversations with the former administration, which was supportive of our being the lead economic development entity for Lorain. This is why we've focused more on PACE in our first and second years. Mr. Zgonc confirmed we no longer handle TIFF for the city? Mr. Brown said we do not. The city hired someone to administer that program. He said he had a good conversation with Mr. Sanford Washington. He doesn't know if there's a line in the sand and hopes there is some rediscovery at some point. We provide value. Mr. Mullins said he thinks Lorain Mayor Jack Bradley has a much better understanding of what we do now than when he first took office. Mr. Brown agreed and said things seemed to shift once Mr. Washington joined the city. He said we just keep leading. It's not about the credit. The Cold Storage facility deal is the first to show interest in the commerce park in 30 years ago. Mr. Mullins is excited about the Cold Storage facility.

IV. Other Business

A. None

V. Adjournment

A. There being no further business to come before the Contract Management or Strategic Development Plan Committees, Mr. Nielsen moved to adjourn the joint meeting. Second by Mr. Kuszniir. The motion carried, and the meeting adjourned at 6:08 p.m.



Jeff Zellers, Chairman (Contract)



Tom Brown, Executive Director



Matthew Kuszniir, Chairman (Strategic)