

**City of Moorhead
Economic Development Authority**

**Meeting Agenda
August 24, 2009 at 11:30 AM**

*****NOTE: ByteSpeed, 3131 24 Ave S, Moorhead, MN*****

<u>ITEM</u>	<u>REMARKS</u>
1. Call meeting to Order/Roll Call	_____
2. Agenda Amendments	_____
3. Approve Minutes of July 27, 2009	_____
4. Citizens Addressing the Board	_____
5. Primary Sector Business Projects Update - Hutchins	_____
A MSUM / City Bioscience Application	_____
B MPS Primary Sector Rate Incentive	_____
C ByteSpeed: Facility Tour / Expansion Plans - Doll	_____
6. Recommend 2010 EDA Budget & Levy - Redlinger / Hutchins	_____
7. Information / Update	_____
8. Adjourn	_____

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**City of Moorhead
Economic Development Authority
Meeting Minutes
July 27, 2009 at 11:30 AM
1st Floor, South Board Room, Moorhead City Hall**

Pursuant to due call and notice thereof, a regular meeting of the Economic Development Authority was held in the 1st Floor, South Board Room, Moorhead City Hall, on July 27, 2009, at 11:30 AM.

Roll call of the members was made as follows:

3rd Ward Council Member:	Lauri Winterfeldt	Present
4th Ward Council Member:	Mark Hintermeyer	Present
Board Member:	James Welch	Present
Board Member:	James Taylor	Present
Board Member:	GaNe' Skatvold	Present
Board Member:	Jon Riewer	Present
Board Member:	Kay Parries	Absent
Board Member:	Kelli Poehls	Present
Board Member:	Mark Wallert	Present
Board Member:	Robert Remark	Absent
Board Member:	Werner Golling	Absent

Others Present:

Neil Qualey, Greater Moorhead Development Corporation
 Chuck Chadwick, Business Liaison
 Brian Neugebauer, City Attorney
 Michael Redlinger, City Manager
 Harlyn Ault, Finance Director
 Scott Hutchins, Director of Community Services
 Pete Doll, Manager of Business & Development Services

- 1. Call meeting to Order/Roll Call**
- 2. Agenda Amendments – None.**
- 3. Approve Minutes of May 18, 2009, and June 1, 2009**

Motion to Approve Minutes of May 18, 2009 and June 1, 2009, made by Kelli Poehls and seconded by James Taylor
Motion Passed: For: 8; Against: 0; Abstain: 0; Absent: 3
- 4. Citizens Addressing the Board – None.**
- 5. Greater Moorhead Development / City Business Outreach Agreement - Neil Qualey and "Guest"**

Minutes: Chair Welch welcomed and invited Neil Qualey, Greater Moorhead Development Corporation, to introduce his “guest.” Qualey introduced Chuck Chadwick to the EDA Board as the newly hired Business Outreach person. Neil stated that Chadwick started work on July 15, 2009. Chadwick addressed the board, giving a brief list of his qualifications and background. He stated he looked forward to working with the EDA. Qualey stated that Chadwick was working to build a database of business names to send a survey. Board members requested Chadwick’s contact information. 11:49 AM

Motion to Approve the agreement between the City of Moorhead Economic Development Authority

and Greater Moorhead Development Corporation made by Jon Riewer and seconded by Kelli Poehls

Motion Passed: For: 8; Against: 0; Abstain: 0; Absent: 3

6. Primary Sector Business Projects Update - Hutchins

A MSUM / City Wetlab Agreement

Minutes: Hutchins introduced the item and asked Brian Neugebauer, City Attorney, for his summary of the agreement between MSUM, MnSCU, and the City of Moorhead. Neugebauer stated that the only role the city would be responsible for is to provide the local match to the DEED grant. The city would have no responsibility for the paperwork and reporting associated with the grant or implantation of the project. 11:54 AM

Winterfeldt asked what the role of GFMEDC has at this time? Hutchins stated that at this time, they do not currently have a financial role but they may at some time in the future. He stated that there may be opportunity for collaboration if and when a second phase may proceed.

Motion to Approve the Agreement between MSUM, MnSCU and the City of Moorhead for the MSUM Wetlab made by Lauri Winterfeldt and seconded by GaNe' Skatvold

Motion Passed: For: 8; Against: 0; Abstain: 0; Absent: 3

B Performance Based Rate Incentive

Minutes: Hutchins noted that the Moorhead Public Service Commission has scheduled a rate hearing on the incentive for August 3. He also stated that the company, Pactiv, has chosen the Moorhead site to expanding their production.

7. Recommendations of the EDA Incentives Task Force - Task Force Members

Minutes: Jon Riewer provided the board a report of the findings and recommendations of the Incentives Task Force. 12:07 PM

He stated that the group focused on three areas: 1) worker's compensation tax credit and recommended reduction from 20% to 10% 2) revisions to Sales Tax Credit policy to make the policy more clear and tied to specific levels of jobs and investment; and 3) an update of the CPI Wage Floor.

Riewer stated that in an effort to stay on track with the program administration timeline, the committee took the liberty of sending out the 2009 Border City Enterprise Zone Tax Credit application to participating businesses.

Board members thanked the task force for their work and recommendations.

Motion to Ratify Recommendations of the EDA Incentives Task Force made by Mark Wallert and seconded by Kelli Poehls

Motion Passed: For: 8; Against: 0; Abstain: 0; Absent: 3

8. 2010 EDA Budget and Levy - Redlinger/Ault

Minutes: Hutchins stated that the EDA establishes its preliminary budget in August. He stated that there was information included in the packet such as past levy amounts and uses, as well as an estimate of the maximum 2010 EDA levy amount. He invited City Manager Redlinger to provide additional background. 12:14 PM

Redlinger stated that on August 24 the EDA will be asked to approve their recommended 2010 EDA budget/levy. He reminded the board that the preliminary 2010 budget/levy may be lowered after that time but, once

approved, it can't be raised. He reviewed the proposed 2010 City Budget information and summaries for revenue and expenses and explained that there is a "soft hiring freeze" and several vacated positions will not be rehired at this time. He stated that wages have been frozen for all employees, including management, for 2010.

Harlyn Ault stated that the operating budget was reduced 5%, with the exception of wages, which were reduced to 3%. He stated that once the 5% reduction was implemented, individual budget items were reviewed and modified as necessary. Some of the increases were necessary to reflect actual costs, such as street lighting and overtime budgets.

Hintermeyer asked about the GFMEDC payment remaining in the 2009 EDA budget and where was the issue at now. Redlinger stated that GFMEDC was not asking for funding at this time.

Riewer asked if funds had been expended on marketing. Hutchins stated that aside from some limited local activities, no marketing was done at a regional or national level. Riewer stated that he would like to see the \$87,500 earmarked for GFMEDC allocated to such marketing if the money remained in the budget.

Wallert inquired about the relationship with the GFMEDC. Redlinger stated that in June, the city received the MOU (Memorandum of Understanding) from GFMEDC. He stated there is also the old agreement and he and the city attorney are examining the issue.

Riewer stated he was part of the meeting held in December and it seemed like the relationship with GFMEDC was moving beyond the "joint marketing relationship" that it had been in the beginning.

Hintermeyer asked Ault to establish what effect a reduction of +/- \$100,000 to the EDA Levy would have on the average household. Harlyn stated that it would not reduce the dollar amount significantly, just a few dollars per year.

Chair Taylor stated that just because we can levy \$370,000, doesn't mean we should. But at the same time, it is nice to have a pool to work with in the future. Wallert agreed that it would be nice to start building a pool to attract a start-up company. Poehls agreed.

Hintermeyer stated that there would likely not be the votes to raise the levy beyond \$283,000 and it would be a "good faith effort" to reduce the levy. He stated the council will be dealing with the city's match of the flood mitigation efforts which will affect every parcel west of 20th Street. He stated that this was not the time to be raising the levy.

9. Information / Update

Minutes: Doll briefed the board regarding commercial business projects as follows: 12:59 PM

Hardy Family Limited Partnership was approved to build a business center on SE Main.

1817 1st Ave N., Gateway Gardens, 3-4 million dollar project.

Roger Erickson was under construction with a 48-unit / 55 years and older building.

John Hauge, developer, platting a new area of land. Demand for apartments is up.

Staff continues to work with Aggregate Industries for the DEED fall cleanup grant cycle.

Doll stated there has been an increased interest for commercial investments in Moorhead. He said there is a strong interest to redevelopment but not without incentives because there is a greater expense and risk.

10. Adjourn

APPROVED BY:

ATTEST:

Jim Welch
Chair

GaNe' Skatvold
Secretary

The proceedings of this meeting are digitally recorded and are available for public review.

*Respectfully submitted by:
Amy Thorpe, Community Services Program Assistant*

DRAFT

To: Chair Welch and Members of the Moorhead EDA

From: Scott A. Hutchins, CSD

Date: August 24, 2009

RE: Primary Sector Business Projects Update

MSUM Bioscience Application:

MSU-Moorhead submitted its application for a \$350,000 DEED Business Development & Infrastructure Grant (1/2 of the total project cost) on July 10, which included an updated project narrative and cost summary. The application is currently being reviewed by DEED staff and MSUM expects to receive word on funding soon. Paul Moe, Deputy Commissioner, DEED and Mark Lofthus, Administrative Services Director, DEED were in Moorhead on Thursday, August 20th to discuss with various City staff, the status of flood recovery efforts. This meeting provided an opportunity for city staff to underscore the economic benefits of the MSUM bioscience project to Moorhead and the State of Minnesota and reiterate the efforts of the City to secure legislative changes to this DEED program.

MSUM and the City have drafted an agreement between MnSCU, the Moorhead Economic Development Authority and City of Moorhead that sets forth the parties respective obligations and provides direction on transfer of funds, contract administration and construction management should the grant application be approved by DEED. The draft agreement has been approved by all three parties and its execution awaits DEED action on the MSUM grant application.

Pactiv/Performance Rate Based Incentive:

The Moorhead Public Service Commission (MPSC) held a rate hearing on Monday, August 3rd, 5:00pm in the Moorhead City Council Chambers to discuss the proposed Performance Based Rate Incentive. The hearing went very well and following a thirty day period the MPSC at its meeting of September 8th, will act to establish this primary sector business incentive. Members recall that the EDA, MPSC and Moorhead City Council took various actions which supported the creation of this economic development initiative to grow the primary sector base of our community. Recently you received a communication from Redlinger/Schwandt/Hutchins noting Pactiv's decision to proceed with the expansion of its Moorhead operation by means of an investment of \$5,000,000-\$7,000,000 and the creation of at least 15 new full-time jobs at a wage rate exceeding \$12.00/hour plus benefits. The company made clear that the likelihood of receiving this incentive was significant and extremely favorable for deciding to expand operations in Moorhead. We are discussing with MPS staff the possibility of holding a joint MPS & EDA meeting at Pactiv the end of September. More to follow!

ByteSpeed: Facility Tour & Expansion Plans:

ByteSpeed (www.bytespeed.com), a growing primary sector technology company, located in south Moorhead is considering a doubling of its current building and hiring additional jobs in order to meet ever increasing market demand for its product. The company's first expansion occurred in 2005/2006 as the then Fargo based operation explored options regarding location and incentives. City staff responded to the company's inquiry by identifying and selling the current site, packaging a multi-tiered incentive package including the State of Minnesota JOBZ program, the City's Target Area Border City Enterprise Program and limited gap financing from West Central Initiative Fund.

ByteSpeed is a stunning success and great addition to Moorhead's economy. The company assembles, fabricates, installs and supports computer installations (30,000 in 2008) for customers throughout the region, focusing primarily on the technology needs of school districts. ByteSpeed employs 35 full time employees and a number of part time employees during their most busy times of the year.

The company's expansion plans include the construction of a "mirror image" building of 14,400 square feet, which when complete would raise the taxable value of the campus to over \$2 million dollars. More space is required in order to expand all phases of their operation including: administration, warehousing and assembly. The company is also looking to diversify its business lines especially in the area of medical technology.

City and DEED staff is working on various elements of this transaction, specifically some unique aspects of mixing the current JOBZ program with other types of incentives. The company wishes to proceed this year if possible.

**ECONOMIC DEVELOPMENT AUTHORITY
TAX LEVY SUMMARY FOR THE YEARS 2003 THROUGH 2009 & 2010 ESTIMATE**

	2003	2004	2005	2006	2007	2008	2009	2010
Maximum Tax Levy ¹	133,000	138,000	140,000	205,000	230,000	250,000	333,000	333,000
Approved Tax Levy ²	133,000	138,000	140,000	205,000	230,000	230,000	283,000	TBD
From reserves							50,000	0
- Land	100,000	111,640	109,000	106,000	116,880	102,100	0	0
- Marketing ³	33,000	26,360	31,000	11,500	25,620	40,400	0	0
- GFMEDC	0	0	0	87,500	87,500	87,500	87,500	0
- Outreach position ⁴	0	0	0	0	0	0	15,000	15,000
- MSUM Wetlab ⁵	0	0	0	0	0	0	230,500	126,670

¹Maximum levy permitted by statute

²EDA recommended / Council approved levy

³Marketing funds levied but not expended remain in the Economic Development Fund

⁴A two-year partnership with Greater Moorhead Development Corporation

⁵Contingent on DEED approval. EDA repay GMDC \$119,500 plus interest (6% = \$7,170) in 2010

DRAFT



The Forum of Fargo-Moorhead

Published August 21 2009

Survey shows support for Moorhead levy

Most Moorhead residents would support a school levy referendum this fall, according to a survey the district commissioned as it gears up to ask taxpayers for help.

By: [Mila Koumpilova](#), INFORUM

Most Moorhead residents would support a school levy referendum this fall, according to a survey the district commissioned as it gears up to ask taxpayers for help.

In a random phone survey of 300 residents, 57 percent backed an \$850 per-pupil levy, which would raise taxes on a \$100,000 home by \$180 a year. They did that after they listened to a statement saying the extra funds would help maintain or decrease class sizes, expand programs and minimize the need for budget cuts.

District officials helped formulate the questions.

The district, which cut about \$4.5 million from its budget this spring, is considering levy proposals that would raise taxes on a \$100,000 home from \$180 to \$238 per year. The school board will make a final decision on the referendum Monday.

District leaders welcomed the survey results even as some participants also reported financial stress and a sense that property taxes already are high.

"That indicates to us that people are at least willing to listen to us about a possible levy referendum," said Assistant Superintendent Wayne Kazmierczak. "We can approach the public with a reasonable proposal at this time and feel that it has a chance."

The survey was conducted by Minneapolis-based Decision Resources, which has worked with some 125 districts in Minnesota. Roughly half of them were looking to gauge their community's take on a tax increase, President Bill Morris said. He said survey results were on-target in predicting successful referendum passage 93 percent of the time.

Moorhead respondents weighed in on arguments for and against a levy. For supporters, the pros that resonated the most were giving teachers the support they need, preparing for tougher financial challenges ahead and filling in gaps in state funding.

Opponents felt property taxes were going up too quickly, increases would be used for administrative salaries or ineffective programs and current funding was adequate.

More than 40 percent of respondents consider their school taxes somewhat or very high compared to neighboring districts. Roughly 40 percent also reported living paycheck to paycheck or seeing expenses outpace their incomes. Less than 20 percent said they are willing to spend more than \$15 per month, or \$180 per year, extra on school taxes.

Moorhead Superintendent Lynne Kovash, who passed up a pay increase this year, said she understands taxpayers' concerns, but, "This is our only funding mechanism at this point," she said. "We're trying to be aware of our community's needs, but we also want to make sure the community is aware of our needs."

Moorhead is among roughly 10 percent of Minnesota districts without operating levies, while some Twin Cities area districts levy for as much as \$1,800 per pupil. Moorhead residents are paying off a \$64 million bond that funded a facilities overhaul.

Moorhead residents also could face tax bumps and special assessments to fund flood projects.

Morris, the Decisions president, said the district did remarkably well on questions measuring leadership credibility and district performance. More than 80 percent of respondents deemed the quality of education good or excellent, one of the highest in Minnesota, Morris said. The district also got high marks on its fiscal restraint and accountability.

"In Minnesota, the fiscal credibility of school districts has been suffering," Morris said. "People haven't been as favorable about how districts manage their money. Moorhead ran anti-trend on that."

Readers can reach Forum reporter Mila Koumpilova at (701) 241-5529

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