**LEXINGTON FINANCE & TIF COMMITTEE MEETING**

**DECEMBER 13, 2017**

**2:00 P.M.**

1. **Call to Order:** The City of Lexington Finance & TIF Committee meeting was called to order at 2:00 PM by Committee Chairman Steve Fosen in the City Council Chambers at City Hall.
2. **Roll Call:** Roll call was taken to find the following physically present: Alderman Stephen Fosen, Alderman Mike Richard and Alderman Judd Stover. Members of the staff and public present were: Mayor Spencer Johansen and Mike Beard.
3. **Public Comment:** None
4. **New Business:** **Review and discussion on revised guidelines for TIF improvement and development grants for the 2018-2019 fiscal year:**

Everyone has made comments as to rationalizing and being prudent with public money regarding the TIF funds. Alderman Stover has put together a document with guidelines in early 2017. What I would like to do is get better guidelines out, especially to the community as to how the committee would like to look at and prioritize each TIF application. Specifically applications for Improvements and TIF Development. What I would like to do is get a guidance document, get it on the website, and revise the application process. We need better guidelines as to how to handle loan and TIF opportunities and they need to be put on the website so they are assessable to all applicants.

We also need to work thru some of the things that we seem to struggle with such as: What is the project, what do you want us to consider, what should we ask for, what is the benefit for the City of Lexington, how much money are they asking the City to put into the project and how much of their own money are they investing?

We also should talk about the budget. Our taxes in 2018-2019 TIF budget I am 95% sure will hit $650,000 revenue cap. On the revenue side $650,000 is the total. On the Expense side TIF bond payments, the obligated expenses that are already obligated and ongoing, approximately $230,000 for sewer, which is the TIF share of the $450,000 payment, around $125,000-$130,000 is for tax abatement back to Wirtz for their development, Subway is about $4,000. Chaney’s share for putting water out to the interstate, I believe is the last payment. The place holder for now before we get into budget season is $120,000 from TIF towards the water treatment plant. I know for a fact that Kemp’s TIF refund from TIF increment taxes is capped at $10,000 (edit: capped at 50% of TIF revenue not capped at $10,000) and Alderman Richard and I believe the townhouses are also capped at $10,000. Also going to the end of the TIF district, other significate budget items are $25,000 of general obligation bonds, $2,000 per year for the TIF increment back to Thrift Avenue capped at $4,000. Total for the ’18-’19 year will be about $540,000-$550,000 for expenses. From a medium to long term standpoint, we have about $100,000 margin, give or take. It is all centered on the water, without any water fee increase, I believe the budget to be sufficient. The water fund is at $580,000. We have $300,000 that we can decide in the spring if we want to pay down on the loan. We should have the new loan papers on the water plant after the first of the year. I am fairly confident that we want to make that $200,000 or $300,000 payment on the loan. The EPA should adjust our loan payment if we pay a large amount. I don’t believe Wirtz is capped. Over the next three years that may not be a factor but over the next 12 years, that could be a factor.

A $650,000 revenue cap is figured before sharing to other tax bodies with about 2/3rds goes to the other taxing bodies. Another thought for the future is, if someone wants to do a large deal, we only have 1/3 of the TIF funds to use or the other taxing bodies need to come on board. For the foreseeable immediate future, the TIF district is pretty sound.

Regarding the actual TIF grants: Alderman Fosen has prepared a document that he would like to go on the website saying how the committee wants to handle applications whether it is an improvement grant or a development grant. Any pending applications that are on file need to be refilled out and submitted again. One thing I attempted to do was be a little clearer, what type of things are improvement grants and what development grants are. I want to set the loan level of funding for improvements and possible developments. This document is just giving guidance for all of us for small requests. TIF Improvement grants focus mainly on the Main Street and Route 66 corridor but anything in the TIF district would be eligible.

What we want to steer toward the size of the grant and the complexities of the application. I am calling for a “Limited Scope Grant”. We set that guideline at $2,000. It is for Main Street cosmetics, how visitors view Main Street and business functionality to help businesses including the inside. But the smaller deals, the idea is, that as a committee, we can pull them together, and after several months of proceeding, put them on file and prioritize which ones. “Regular Scope Grants/Loans” would be the larger ones, and give the guidance up front that the ideal that for more than $2,000 then most times we are going to ask for repayment. Under this situation they would be asked to fill out an application including details of the project. A complete remodel is limited to a more of a commercial loan or detailed project – TIF Development Grant.

How do we decide the interest rate and if you will forgive anything? What guidelines are in place to decide how that will be established? If we felt it was some type of special service to the community we would possibly consider forgiveness. Guidelines in writing to set the interest rate up front for all grants and loans and should be included in the approval process. We need to be open for certain businesses that are a service that we do not have in this town. Budget and set interest rate each year and not waiver. Primarily for Main Street and not go over 50%. We want the applicant to have a vested interest in the project. If it is a business we would really like to attract, we can structure the loan to fit the need. On $2,000 Main Street grants, if it makes Main Street look better, that is our pay back.

In the application I have included what their investment is, an itemization of their expenses and discussion of what they are asking for.

What we are trying to avoid is giving out $30,000-$50,000 and not get anything back. We need to put in a timeline for the work to be performed and be firm with those guidelines and they need to be in writing.

Additional guidance, the idea is that we need to reopen the window to start gathering new applications for next year, Alderman Fosen is suggesting January 15, 2018. We need to put applicants on notice that we are not going to act right away. We are going to go thru the budget process first. I would like to get several applications together and then act on them instead of doing them one at a time. There was some discussion on this process of holding the applications. If the application window opens January 15, 2018 and the budget isn’t done until May 1, 2018 that is a while to sit on them. Alderman Fosen would also like to look at the smaller requests for Main Street first and then look at the larger requests. Another idea was to collect them and do them annually for next year’s budget, we would then know what we needed to put in the budget to spend. There was some discussion on making the budget first, putting in what we can afford, and then looking at the applications. When the money is gone, it is gone. This way we would know how much money we have to spend and can divide it up among the applications that come in. Instead of budgeting around the requests, we should budget around what we can afford and put a cap on it. There was also some discussion on adding a line item to the budget to cover a discretionary emergency situation for a business to use if all TIF grant money has been used for the year. Mayor Johansen noted that he thinks that we should not sit on any TIF application but should be processed as they are received. Also discussion as to when the cutoff date for accepting TIF applications for the year should be, if the money is gone, it is gone, and that needs to be communicated to the applicate, which was done this year by putting it on the website

January 15, 2018 is when TIF applications will open up and May 1, 2018 is when the budget period begins. The Improvement Grant Program will have priority once the program begins. We would like to prioritize the smaller requests and gather the larger requests. Sometime after the budget is active we have the money to fund these requests, whether that is May, June or July. We can act on what we have got. There was quite a bit of discussion as to whether there should be a cutoff date for accepting TIF applications and when that date should be, and if applications accepted after that date would fall into next year’s fiscal year. If an applicant does go ahead and does the project, they may apply in the next fiscal year, and the TIF committee will take that into account. Applications will not be processed after the budget is depleted.

Development grants will need full documentation and spreadsheets. You are asking for partnership with the City. What will the infrastructure support? What about jobs, taxes, and growth for the City? In what manner and how quickly does the City address these applications? It is time to start asking for letters of reference, especially for larger dollar requests, back ground checks, due to the criticism we have gotten in the past for giving money in the past to applicants that we did not know all that much about. These documents give the guidance that we need to obtain this information. This documentation that you are asking for, is it the same as their financial plan? It could be their business plan, their balance sheets, and info on a prior business or plans for an expansion of their business. The Mayor feels a business plan is important to show a timeline as to what the applicant hopes to do with his business in the years to come. Alderman Fosen feels that any deal we do in the future, whether a large or small deal should follow the guidelines that will be put in place. Alderman Stover wants to make sure that we have adequate insurance in place to cover our investment. The question was asked if we can require a Credit Bureau Report. It is important that the City cover the same bases that a bank would cover when loaning large amounts of money, proof of insurance and a credit report. There are safe guards that we can and will follow included in the new guidelines.

Alderman Fosen went over the application forms that he has provided for Improvement and Development applications. He would like these forms to be filled out by the applicants in their own words and provide their own documents: spreadsheets, project costs, etc. If they are looking for a smaller loan they only need to fill out Part I, II, III, of the Improvement application, and skip the “Regular Scope” details and go to the signature page. A larger amount, $7,500, would fall under the “Regular Scope” and those details would need to be filled out.

These documents will be put on the website along with instructions on how to fill them out. It was recommended that the City Collector print the documents off along with the instructions to give to the applicants and not be available to help fill them out.

The committee tries to meet with each applicant to discuss the TIF application before a decision is made to take it to the City Council.

These new guidelines and applications will be on the next City Council agenda for a vote on December 26, 2017.

Motion was made by Alderman Richard that the committee accept all revisions and changes to the guidelines to the TIF grant/loan process to be recommend to the City Council at the December 26, 2017 meeting. Motion was seconded by Alderman Stover. Motion carried unanimously.

Copies of the revisions will be sent to all council members before the December 26, 2017 meeting.

1. **Adjourn:** There being no further business a motion was made by Alderman Stover to adjourn at 3:23 p.m. Motion carried by unanimous voice vote.

Respectfully submitted,

Pati Pease

City Clerk