

POCATELLO DEVELOPMENT AUTHORITY MINUTES

Meeting December 17, 2008

Members present: Terry Brower, Steve Brown, Roger Chase, Gynii Gilliam, Cynthia Hill, Darsi Johnson, Ken Monroe, Gary Moore, and Ryan Ward.

Staff present: Robert Chambers, Executive Director; A. Dean Tranmer, Esq. and Darcy Taylor of the City Legal Dept.; and Dave Swindell and Jerry Higgins of the City Finance Dept.

The meeting was called to order at 11:05 a.m., by **Chairman S. Brown**.

1. Preliminary matters:

A. Guests, Conflicts, and Agenda. No guests were present. No conflicts of interest were declared. **Chairman Brown** advised the Board there would be an executive session which would include updates on the North Portneuf Urban Renewal Area and the Consolidated Central Corridor Urban Renewal Area.

B. Minutes. Minutes of the regular and executive sessions of the December meeting were reviewed, and **it was MSC (T. Brower, G. Moore)** to approve those minutes.

C. Financial Report. J. Higgins of the City Finance Department presented the financial reports for the months of October and November. In October, the PDA received cash in the amount of \$5,127.76, which included \$4,726.88 in interest and \$400.88 in tax increments for Central Corridor. Expenses for October totaled \$499,425.05, which included approved payments on the Triangle project and the Whitman project. J. Higgins noted that the Central Corridor Cash Flow projection sheet included an expense for the Whitman project in the amount of \$356,000.00, when in fact the final payment made on the project was \$256,000.00, leaving a \$100,000.00 overage in that fund. In November, \$10,302.03 was received, and payments of \$106,180.34 were made by PDA. Income included interest in the amount of \$2,595.99 and Central Corridor tax increments in the amount of \$7,706.04. Expenses for November consisted of Payment No. 10 on the Triangle project. Thereafter, **it was MSC (C. Hill, T. Brower)** to approve the October financial report and **it was MSC (C. Hill, R. Ward)** to approve the November financial report.

J. Higgins advised the Board that Bannock County provided notice of a reduction of property taxes assessed against the Naval Ordnance Plant Urban Renewal Area in the amount of \$45,039.40. He noted that the budget anticipated tax revenue of approximately \$80,000.00 from the district, however the County's reduction will result in actual revenue of approximately \$57,000.00.

Engagement Letters from Arbitrage Compliance Specialists, Inc. were presented by J. Higgins for the \$6.5 million 2000 Series A bonds and the \$7.75 million 2004 Series A bonds Arbitrage Rebate Reports, by J. Higgins, who requested the Board authorize the Chairman to sign same. Additionally, payment requests for \$2,400 and \$2,760 were also submitted for the 2008 Arbitrage Rebate Reports for the 2000 Series A bonds and the 2004 Series A bonds, respectively. Higgins advised the Board of the Internal Revenue Service requirement of said reports for tax exempt entities issuing bonds. After discussion, **it was MSC (RW, CH)** to authorize the Chairman to enter into the engagement letter and pay the \$2,400 report fee for the 2000 Series A Bonds, and **it was MSC (RW, CH)** to authorize the Chairman to enter into the engagement letter and pay the \$2,760 report fee for the 2004 Series A Bonds.

2. Central Corridor:

Triangle Redevelopment Project. Chairman Brown asked the Board to ratify their vote by telephone and e-mail on November 19, 2008, approving Payment Request No. 10 from the Triangle, Inc. in the amount of \$106,180.34. **It was MSC (K. Monroe, D. Johnson)** to ratify the approval of Triangle, Inc.'s Payment Request No. 10, as it occurred on November 19, 2008.

Jim Jenkins of Myers, Anderson and Jesse Schuerman of the City Engineering Department appeared and provided an update to the Board on the Triangle Redevelopment Project. J. Jenkins reported that \$94,000.00 remains of the PDA funds committed to finish the project assuming Pay Request No. 11 is approved by the Board. The work is substantially complete, or will be completed by the end of December, with the exception of those items which must wait until spring, such as parking lot striping. J. Schuerman confirmed that the work covered under Pay Request No. 11 was completed to City standards and consisted largely of electrical work, landscaping, sidewalk work and professional services. Thereafter, **it was MSC (D. Johnson, C. Hill)** to approve Payment Request No. 11 in the amount of \$52,415.51.

Positron Systems, Inc. Erik Oas, Chairman of Positron Systems, and Steve Yano, CEO of Positron Systems, appeared before the Board. Oas and Yano, accompanied by Steve Laney, a part owner of one of the major investors in Positron Systems, Inc. (Oas Laney, LLC), and Dr. Doug Wells, the Director of the Idaho Accelerator Center, presented a funding request to the Board. CEO Yano presented a brief history of the company, as well as development plans of a fairly confidential nature. The funding request presented to the Board centered on the creation of a manufacturing site for radioisotopes for use in cancer diagnosis and treatment. The manufacturing site would be situated in Pocatello next to the Idaho Accelerator Center, with whom Positron currently shares a location. CEO Yano explained the advantages Positron Systems, Inc. enjoys in the field of radioisotope production, namely, 1) the advantage of already being located at a unique test facility with operational expertise at the facility; 2) a good working relationship with a world class nuclear physics research facility; and 3) the possession of new technology to implement the manufacture of the radioisotopes. Yano further explained that if the proposed radioisotope manufacturing site was successful, a spin-off business in the nuclear medicine area is anticipated, which would involve the production of a radioisotope tracer used in many diagnostic processes. Positron Systems, Inc., is proposing a collaborative partnership between Positron, the Idaho Accelerator Center, and Advanced Radiopharmaceutical Management, a local company. The estimated funding for the project being proposed by Positron is 1.5 million dollars, which is being sought through an SBA loan. Startup of the proposed manufacturing site is estimated to be approximately one year. In order to secure the SBA loan funding, Positron is requesting the Board to forgive the \$400,000.00 indebtedness Positron owes to the Development Authority. Such forgiveness would enable Positron to present a more positive balance sheet and greatly increase Positron's ability to obtain SBA funding. Discussion ensued between Board members and Positron representatives regarding various alternatives to absolute forgiveness of the loan, including possible claw back provisions, creating an equity position for the PDA in Positron, or profit sharing options. **G. Moore** expressed the opinion that while the project is a risk, and forgiving the loan would be a loss for the development authority itself, the trade off would be the potential for future growth in the nuclear medicine area. **T. Brower** noted that if the loan was forgiven, it would be an interesting ethical test to see the likelihood that a successful business would give back to the community. **R. Chase** added that while it is a risky venture to forgive the loan, the addition of a multimillion dollar industry to the community would be well worth that risk, and stated that if the company fails, the expectation is that the loan would not be repaid anyway. The Board presented additional questions to Dr. Doug Wells regarding the viability of the project and the chances Positron has in being successful in receiving government funding for additional research and business opportunities. **R. Ward** advised the Board of some of the nuances of SBA loans and some of the issues Positron faces with regard to their SBA application. After further discussion it was determined to move to executive session, and at approximately 12:46 p.m., **it was MSC (R. Ward, T. Brower)** to adjourn to executive session (pursuant to I.C. §67-2345(1)(e)) to consider

preliminary negotiations involving matters of trade or commerce in which the governing body is in competition with governing bodies in other states or nations. The regular meeting was reconvened at 1:35 p.m., at which time **it was MSC (R. Chase, R. Ward)** to forgive the \$400,000.00 loan owed to the PDA by Positron Systems, Inc. if a plan could be created which would provide an equity position for the Development Authority to recoup its loss.

3. Items from the Board:

Chairman Brown advised Board members that the next meeting was scheduled for January 21, 2009, at which time elections of Board officers would occur.

4. Adjournment:

There being no further business, it was **MSC (T. Brower, D. Johnson)** to adjourn the meeting at approximately 1:40 p.m.