

**POCATELLO DEVELOPMENT AUTHORITY MINUTES**  
Meeting December 19, 2012

**Members present:** Brian Blad, Roger Bray, Larry Fisher, Michael Orr, Jon Regetz (ex officio), and Ryan Ward

**Staff present:** Lonnie Crowell, Executive Director; Merrill Quayle, City Planning Engineer; A. Dean Tranmer and Darcy Taylor, City Legal Dept.; Dave Swindell and Jerry Higgins, City Finance Dept.

**Chair R. Ward** called the meeting to order at 11:03 a.m.

**1. Preliminary matters:**

A. Introductions, Conflicts, and Agenda. No guests were present and no conflicts were noted. A presentation and review of the Authority's annual comprehensive financial report was added to the agenda.

B. Minutes. The minutes of the regularly scheduled meeting of November 14, 2012 were reviewed. **R. Ward** requested that the minutes be corrected to reflect that Lonnie Crowell called the meeting to order, and that **R. Ward** arrived at the meeting at 11:30 a.m. It was **MSC (M. Orr, B. Blad)** to approve the minutes as corrected.

C. Financial Report. J. Higgins presented the financial report for the month of November, 2012. Total cash available as of November 30, 2012 was \$8,284,028.29. During the month of November the PDA received cash in the amount of \$8,070.32, which included \$546.24 in interest, and a tax increment payment of \$7,524.08 to the Central Corridor District. Expenses for November consisted of administrative expenses from the General Fund in the amount of \$142.88. Higgins next presented payment requests for approval as follow: \$162.90 to Idaho State Publishing for publication costs related to the North Yellowstone bond refinance; \$750.00 for 2013 Redevelopment Association of Idaho, Inc. membership dues; \$326.28 to AT&T for the RAI visit conference call; and \$146.13 to Oliver's for the Board meeting lunch. Upon completion of the presentation of the November financial report and payment requests **it was MSC (B. Blad, R. Bray)** to approve the financial report for November, 2012.

**2. General Discussion Items:**

A. Comprehensive Annual Financial Report. J. Higgins and D. Swindell provided an introduction to the Comprehensive Annual Financial Report for the year ending September 30, 2012 as prepared by Deaton & Company. Swindell informed the Board of an irregularity that occurred in which Power County, as the property tax administrator for the Pocatello Regional Airport District, inadvertently paid tax increment funds in the approximate amount of twenty-three thousand dollars to the City of Pocatello, instead of the Pocatello Development Authority. The increment came from personal property improvements made at the airport by Petersen Corporation. Power County has been advised as to the proper protocol for tax increment funds and the City will be forwarding the funds to the PDA. At Swindell's invitation, Doran Lambson of Deaton and Company presented the Comprehensive Annual Financial Report, noting that in Deaton's opinion, the financial statements referred to in the audit present fairly, in all material respects, the respective financial position of the urban renewal activities and each major fund of the Pocatello Development authority for the 2012 fiscal year, in conformity with accounting with accounting principles generally accepted in the U.S. Lambson advised that based on his test of a sample of PDA records the Authority is not out of compliance, and there are no material issues

or deficiencies of the internal control over financial reporting. Lambson did recommend that a member of the Board of Commissioners sign off on the financial statements and bank statements of the Authority in order to provide one more level of review. After a brief discussion of the audit document **it was MSC (B. Blad, M. Orr)** to approve and accept the Comprehensive Annual Financial Report for fiscal year 2012.

B. North Yellowstone District Bond Refinance. D. Swindell reported that an issue has arisen regarding the bond rating for the North Yellowstone District Bond refinance. The bond rating service, Moody's Investor Services (Moody's), generally and historically rates bonds issued by development authorities as not particularly good risks. Additionally, Moody's determined the North Yellowstone District's size (too small) and commercial characteristics to be detrimental to a high bond rating. Based upon Moody's unwillingness to give the North Yellowstone Bond Refinance any kind of A or B rating, Piper Jaffrey could not justify offering the bond according to the terms initially offered, and as provided for in PDA Ordinance 2012-01, as adopted on November 28, 2012. Swindell reported that there was a bid from Western Bank Alliance to issue the bond at 2.85 percent interest which will provide for a direct purchase of the bonds through the bank. This option will reduce the issuance cost of the bonds. Swindell opined that the Western Bank Alliance now appears to be the best option available for the North Yellowstone Bond Refinance. The terms of the reissuance provide for a final payment in August, 2024, and will net approximately two million dollars in savings. These terms equate to four years less debt service and approximately \$960,000.00 in present value savings, as well as an increase in par value of the bond from 6.7 million dollars to 6.8 million dollars. Additionally, the change in terms will require an amended ordinance to reflect the changes. A brief discussion following regarding the problems encountered in the bond rating process as well as the potential increase in interest rates, particularly in light of the uncertainty surrounding the national debt crisis being played out on the federal level. Thereafter, **it was MSC (R. Bray, B. Blad)** to adopt Ordinance 2012-02, amending Ordinance 2012-01 and providing for the issuance and sale of bonds to the Bank of Nevada as purchaser, at a par amount not to exceed 6.8 million dollars.

C. Pocatello Regional Airport District. **R. Ward** reviewed with the Board the concerns expressed by Earl Swift's legal counsel, Jim Manning, at the regular November meeting regarding the use of Naval Ordnance Plant (NOP) District funds for the payment of Petersen Corporation's loan with the Regional Development Alliance (RDA). At the time Petersen borrowed the funds from the RDA (March, 2008) Petersen was located in the NOP District. In August, 2010, Petersen began construction of a plant located in the Pocatello Regional Airport (PRA) District, and relocated to the new premises around the end of 2010. **Ward** tasked the Board to begin considering whether PDA's obligation to repay the RDA loan, pursuant to the Economic Development Grant Agreement between Petersen and the PDA dated February 4, 2008, should be debited to the NOP District or the PRA District. PDA counsel D. Tranmer advised the Board that the more defensible position would be to repay the loan from the General Fund, perhaps with a payback from the PRA District as funds become available. **R. Ward** noted that the PDA agreement with Petersen did not require physical improvement of Petersen's premises, but rather was an incentive connected to providing a minimum number of employment positions, and therefore suggested the obligation be attributed to the PRA District. **B. Blad** stated his opinion that the obligation should be attributed at least in part to the NOP District because the NOP District received benefit from Petersen. D. Swindell advised that the NOP District received TIF funds for tax years 2008 and 2009 from Petersen, and that it would be possible to determine what percentage of the TIF funds received during that time were

attributable to Petersen. **R. Bray** recognized that Mr. Swift and the Gateway West facility have remained in the City, and it would only benefit the District to help develop the asset. He noted agreement with **R. Ward's** suggestion to transfer the obligation to the PRA District. **B. Blad** advised that the plans for the PRA District include a water tank for fire suppression purposes, as well as a possible sewer treatment plant, and the addition of another obligation to the PRA District would delay future development. **M. Orr** expressed disgust with prior PDA Board's approval of the Agreement to pay the RDA loan for Petersen. After further discussion, **R. Ward** asked J. Regetz to accompany him on a site visit to Petersen to discuss the payment of the RDA loan. **B. Blad** advised that he would be meeting with the RDA in January. It was the Board's consensus that information obtained from those meetings would assist the Board in making a decision.

### **3. Items from Commissioners/Staff:**

**M. Orr** requested an update on the South Valley Connector and was advised that the City had possession of the necessary right-of-way and was moving forward with the project.

### **4. Adjournment:**

There being no further business, **it was MSC (M. Orr, B. Blad)** to adjourn the meeting at 1:40 p.m.