

POCATELLO DEVELOPMENT AUTHORITY MINUTES
Meeting January 16, 2013

Members present: Brian Blad, Roger Bray, Larry Fisher, D. Gerry, Cynthia Hill, Michael Orr, and Ryan Ward

Members absent: Karl Anderson, Russ Meyers, and John Regetz

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 11:05 a.m.

1. Preliminary matters:

A. Introductions, Conflicts, and Agenda. Guests present were Jim Manning, representing Gateway West Industrial Park; and Ted Johnstun, Mark Jenkins and Jeff Schutte, representing Petersen Incorporated. No conflicts were noted. A presentation by Petersen Incorporated, and a review of loans coming due to the PDA were added to the agenda.

B. Minutes. The minutes of the regularly scheduled meeting of December 19, 2012 were reviewed. **R. Ward** requested that the minutes be corrected to reflect that the time of adjournment was 12:40 p.m. rather than 1:40 p.m. **It was MSC (L. Fisher, M. Orr)** to approve the minutes as corrected.

C. Financial Report. J. Higgins presented the financial report for the month of December, 2012. Total cash available as of December 31, 2012 was \$8,287,228.10. During the month of December the PDA received cash in the amount of \$3,199.81, which included \$563.01 in interest, and a tax increment payment of \$2,782.93 to the Central Corridor District. Expenses for December consisted of administrative expenses from the General Fund in the amount of \$146.13. Higgins advised the Board that the Pocatello Regional Airport District would be receiving a tax increment payment during January, which will show on the January financial report. **Chair Ward** advised the Board that he reviewed the bank statements and financial report with Mr. Higgins this month, pursuant to the recommendation by Deaton & Company after the Comprehensive Annual Financial Report for FY 2012. Thereafter, **it was MSC (R. Bray, C. Hill)** to approve the financial report for December, 2012.

D. Payment Requests. City Engineer D. Castillo submitted a payment request in the amount of \$197,445.00 on behalf of the City of Pocatello for reimbursement of the local match already paid by the City and as required by Idaho Transportation Department for Phase 1A of the Advanced Construction Project for the South Valley Connector. She explained that this portion of the connector project was advanced in order to retain federal funding and provides for construction between South Second and south Fifth Avenues. **C. Hill** confirmed that the Board had already committed the funds for this expense, and thereafter **it was MSC (C. Hill, L. Fisher)** to approve the payment of \$197,445.00 from the Central Corridor District to the City as reimbursement for a local match on the South Valley Connector.

D. Taylor presented a payment request in the amount of \$10,000.00 payable to the Union Pacific Railroad Company (UPRR) as a one-time license fee for the temporary railroad crossing at Philbin Road to the Hoku site. (B. Blad in at 11:15 a.m.) Under the agreement entered into between the City of Pocatello, UPRR, and Hoku, the City was responsible for the payment of the license fee. Construction of the temporary railroad crossing was completed in the early spring of 2012, however the payment of the licensing fee was never made. UPRR recently contacted Hoku looking for proof of that payment. The City is now requesting payment of the licensing

fee by the PDA from the North Portneuf District. **M. Orr** inquired as to the current status of Hoku, and **D. Swindell** provided a synopsis of Hoku's recent efforts to pay its debts and begin production. Thereafter, **it was MSC (C. Hill, M. Orr)** to authorize payment of \$10,000.00 to UPRR for the one-time licensing fee for the temporary railroad crossing.

2. General Discussion Items:

A. Petersen Incorporated. **R. Ward** advised the Board that he, L. Crowell, and J. Regetz met with Petersen representatives Mark Jenkins (CFO), Jeff Schutte (Facility Manager), and Ted Johnstun (Chairman of the Board) to discuss the company's status and the repayment of the loan to the RDA. M. Jenkins made a power point presentation to update the Board on the status of Petersen Incorporated. Jenkins noted that the employment requirements, as amended, for the PDA's repayment of the RDA loan to Petersen have been met, and that 2012 was a record year for Petersen Incorporated, both in Idaho and elsewhere. T. Johnstun addressed the Board and explained the Employee Stock Ownership Plan (ESOP) which provides Petersen employees with a vested interest in the success of the company. Johnstun noted that the company is very pleased with the facility it has at the airport. Future reviews of employee numbers required under the agreement between Petersen and the PDA will be performed on a semi-annual basis, in January and July each year. (R. Bray out at 11:45 a.m.) Upon completion of the Petersen presentation, Jim Manning advised he was attending the meeting to hear the Board's discussion regarding the payment of the RDA loan. **R. Ward** advised the Board that based upon his review of the controlling documents regarding the loan, it appeared the PDA was responsible for payment of the RDA loan. **M. Orr** noted that he was not fond of the "claw back" provision of the agreements, which required the PDA to monitor Petersen's employment status after the PDA paid the loan. T. Johnstun suggested that the security for the claw back is the fact that the company has a seven million dollar facility on City-owned land. **B. Blad** noted that it was the PDA's responsibility to pay off the RDA loan. (D. Gerry in at 11:55 a.m.) T. Johnstun offered that Petersen would pay any interest due on the note due to the amendment to the employment milestones. The interest amount is estimated to be approximately \$92,000.00. Discussion followed regarding from which PDA fund the \$750,000.000 RDA loan would be paid. The Pocatello Regional Airport District is estimated to bring in approximately \$50,000 to \$60,000 annually at this time. **D. Swindell** noted that the Naval Ordnance Plant District was originally scheduled to pay the loan, as that was the district in which Petersen was situated at the time the loan was made. He added that the General Fund could pay the loan by taking a cash advance on the administrative fee which will be paid to the General Fund from the Central Corridor Fund. Jim Manning advised the Board that it would be in the PDA's best interest to determine a way to pay the RDA loan which would preserve the relationship the PDA has both Gateway West and Petersen. **D. Gerry** expressed the opinion that at least a portion of the payment should be made from the Naval Ordnance District, and suggested that funds from both the Naval Ordnance District and the Pocatello Regional Airport District could be used. **B. Blad** agreed. After further discussion **it was MSC (D. Gerry, B. Blad)** to pay the RDA loan before the due date on March 1, 2013, and to review historical district financial information to determine from which fund(s) the payment will be made.

B. Promissory Notes Due to PDA. **R. Ward** reminded the Board that a promissory note from BBAD Investments in the approximate amount of \$200,000.00 and a note from Positron in the amount of \$400,000.00 are due in March, 2013. **Ward** requested that L. Crowell prepare letters notifying both BBAD and Positron of the PDA's expectation that the notes be paid when due.

C. North Yellowstone Bond Refinance. D. Swindell advised the Board that the North Yellowstone Bond refinance is anticipated to close at the end of January. He noted that despite some last minute adjustments to the terms of the refinance, due to regulations related to the national debt limit, the refinance was still a sound financial move which will result in gross savings of just under two million dollars and a payoff of the debt in 2024, a full four years earlier than the prior bond allowed.

3. Adjournment:

There being no further business, **it was MSC (B. Blad, M. Orr)** to adjourn the meeting at 12:34 p.m.