

Mount Jackson
Economic Development Authority Meeting

December 11, 2019

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Chairman Rick Koontz called the meeting to order at 5:00 PM in the council chambers at 5901 Main Street. Authority members in attendance were Mike Jones, Rod Shepherd, and Ken Hackenbracht. Authority members Mike Koontz, Steve Povlish and Joe Proctor were absent. Also in attendance were Neil Showalter, Town Manager; Joseph S. Paxton, Consultant; Daniel R. Lauro, Bond Attorney; and Debbie Stover, Town Clerk.

Organizational Meeting – Election of Chairman and Vice-Chairman

Authority member Shepherd MOVED, seconded by Authority member Jones to APPROVE the election of Rick Koontz as Chairman for a term to expire June 30, 2020. There was no roll call vote, and all members present signified by saying AYE.

Authority member Shepherd MOVED, seconded by Authority member Jones to APPROVE the election of Ken Hackenbracht as Vice-Chairman for a term to expire June 30, 2020. There was no roll call vote, and all members present signified by saying AYE.

Agenda Additions/Deletions/Changes: None

Approval of Minutes – November 5, 2019

Authority member Hackenbracht MOVED, seconded by Authority member Shepherd to APPROVE the Minutes of the Meeting on November 5, 2019. There was no roll call vote, and all members present signified by saying AYE.

Treasurer Report:

1. Audit - Mr. Showalter referred to the report in the meeting packet, stating one of the first things staff is working on is to acquire audit services for the Authority. He has been in conversation with the Town's current auditing firm, Robinson Farm Cox. This firm did the last audit which was for the year ended June 30, 2009. Mr. Showalter stated staff has scheduled a meeting with a representative from PB Mares from Harrisonburg. Staff requested that the Authority's Chairman and Vice-Chairman be authorized to approve the contract for the audit as soon as staff has completed its discussion with the two firms.

Authority member Jones MOVED, seconded by Authority member Hackenbracht to APPROVE the Chairman and Vice-Chairman be authorized by the Board to approve the contract for the audit. There was no roll call vote, and all members present signified by saying AYE.

Chairman Koontz asked if he and Mr. Hackenbracht would need to sign anything tonight, and Mr. Showalter explained staff will be working with the auditors on a contract but nothing is completed as of yet. Mr. Paxton stated in discussions with PB Mares, they believe the appropriate strategy is to have an audit for fiscal year 2018-2019 that ended June 30, 2019, and re-state everything prior to that period. Mr. Paxton stated the amount of fund activity is low and the main issue is tracking the loans since 2009, to determine what is outstanding. There are two outstanding loans with banks and two small loans to one company under the Revolving Loan Fund. Chairman Koontz asked if staff is considering doing the EDA audit in conjunction with the Town's audit. Mr. Showalter responded there may be no benefit in that.

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2. Financial Report – Mr. Showalter gave a report on the background of the current funds. The EDA started with a Rural Development loan that was loaned to small businesses in town, and subsequently repaid. The other funds in the Authority’s custody came in from fees paid by businesses, like Shenandoah University, to allow the issuances of tax-free bonds. Mr. Showalter stated it is important to identify the Rural Development money because the program guidelines require that the funds are loaned back out meeting federal requirements. He stated the sum of two outstanding loans in the Revolving Loan Fund to Cornerstone is \$17,190, which they are paying monthly, and subtracting that from the original RLF balance of \$99,950 leaves \$82,760, subtracting that from the total funds on-hand of \$153,882 leaves \$71,122 unrestricted available funds. Chairman Koontz asked if that amount of \$71,122 is available to loan out, and Mr. Paxton stated the entire \$153,882 is available to loan, however a portion of it minus \$17,190 is still under the restrictions of the Revolving Loan Fund. He added the Authority should discuss how to restructure the Revolving Loan Fund program, that with the exception of Mr. Shepherd, the former members of the advisory board that oversaw the program are no longer engaged in those roles. Mr. Paxton stated the \$71,122 is unrestricted and is the reason staff is looking at the Façade Enhancement Grant Program to be able to augment that program. A portion of the unrestricted funds will be used for administrative costs, such as the audit.

3. Annual Authority Assessment – Mr. Showalter stated staff has determined the town is behind in billing those assessments. Shenandoah Valley Criminal Justice Training Academy is the last borrower that paid the assessment, but staff can find no record that the current borrowers paid. Mr. Paxton sent Shenandoah University and Route 11 Chips a form asking them to fill in the balances for certain dates for prior years, so staff could determine the amount of administrative fees. Mr. Paxton noted that staff is requesting guidance from the Board regarding how far in arrears to bill the fees, noting that the town is partly responsible for not following up on the lack of payment. Mr. Paxton stated Shenandoah University’s loan balance the entire time is high enough the University would have paid the maximum of \$3,000/year, whereas the loan balance for Route 11 Chips has fluctuated over the years and the maximum \$3,000 payment is not due for each year. In researching what other governments do in regards to back billing, three (3) years is often used, which staff recommends. Chairman Koontz asked if these fees are required to be billed annually. Mr. Paxton responded there is a stipulation in the term sheet that says they are required to pay an annual assessment based on 1/10th of 1% of the principal up to a maximum of \$3,000. He stated in the revised term sheet, staff added a requirement for the borrower to report to the Authority by a certain date to be billed appropriately. Chairman Koontz stated he wouldn’t be opposed to billing the entire 10 years as these fees could have been used to lend to other entities. Mr. Paxton stated these fees also could be used for paying for audits, legal counsel, etc., however in the last few years there has been little activity so those fees were not incurred. Mr. Shepherd stated billing 10 years back may not be difficult for a large entity such as Shenandoah University, but may be for the smaller local company like Route 11 Chips. The discussions ended with Authority members reaching a consensus to bill three (3) years in arrears, and waive the prior seven (7) years, with a detailed letter to each entity explaining this action.

Authority member Hackenbrack moved, seconded by Authority member Shepherd to APPROVE invoicing borrowers three years in arrears for the fees. There was no roll call vote, and all members present signified by saying AYE.

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Old Business:

1. Consideration Approval – Updated Term Sheet for Borrowers. Mr. Paxton stated the proposed Term Sheet includes a change in the date that the fee is based from January 1 to December 31 under Section I(C) Annual Administrative Fee Schedule, and under Section I(D) the third paragraph was expanded to state each borrower shall provide to the Authority for the term of the bonds, no later than March 1 each year for the immediately prior calendar year, an annual debt service schedule listing beginning principal as of January 1, principal paid in calendar year, interest paid in calendar year, total paid in calendar year and ending principal balance as of December 31. This information is necessary for the Authority to compute the annual administrative assessment. The other change to the document is under Section II(A) regarding some inconsistency in language in what the Authority called the Revolving Loan Program and what Rural Development called Rural Business Enterprise Grant Program. Mr. Paxton stated old Town documents for the loan program call the program the Revolving Loan Fund, while the Rural Development Program that funds the program is called the Rural Business Enterprise Grant Program. A sentence was added at the beginning of the paragraph stating that the town established a revolving loan fund using proceeds provided by USDA Rural Development Rural Business Enterprise Grant Program.

Authority member Jones asked if it is staff's responsibility to keep up with billing administrative fees, and Mr. Showalter responded as Treasurer he would do so. Mr. Lauro stated most bond documents are written on an anniversary basis from the date of the issuance, so borrowers may expect a prorated first bill. Mr. Paxton asked if it makes more sense to bill on the fiscal year rather than the calendar year. Mr. Lauro replied a few counties have changed to the fiscal year so auditors can look at EDA numbers at the same time as their regular audit. Mr. Showalter stated an advantage of doing it at the beginning of the calendar year is staff can bill and possibly collect assessment fees in time for the audit cut off.

Authority member Hackenbrack MOVED, seconded by Authority member Jones to APPROVE the amended term sheet for borrowers as presented with the December 31 reporting period. There was no roll call vote, and all members present signified by saying AYE.

2. Consideration approval – Façade Enhancement Grant Program. Mr. Paxton stated staff had followed up on the Board's request to research what other localities with similar programs used for minimum and maximum loan amounts, and has included the responses received through an Institute of Government survey. The responses varied, but the staff recommends setting a minimum amount for the grants but no maximum amount, leaving the maximum amount up to the Board based on the amount of money available and the worthiness of the program. Mr. Paxton stated the Authority should have a minimum that's worth the effort, and staff recommends a minimum of \$500.

The next change to the draft program guidelines is on page 4 and allows the Board to consider the Nelson Theatre request that is before the Board tonight. Mr. Paxton stated because the façade program has been initiated, at least in part, because of the Theatre request, and the owner could not wait to do the facility upgrades to see if a program would be approved. Therefore, to address the fact that the work for this grant has been completed prior to the initiation of an application, a statement was added to permit projects under construction on and after June 1, 2019, and completed prior to December 31, 2019 to be approved, at the discretion of the Board. After December 31, 2019, projects must be approved by the Board prior to completion of work to receive matching funding through the program. Mr. Paxton also noted that most of the programs surveyed are funded with tax dollars, so the approving authority is required to set aside an amount each year for the program. However, the Board uses Authority funds. The draft guidelines change

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the language on the bottom of page 2 to say the amount of funding available for the Façade Enhancement Grant will be established by the Board after reviewing the Authority's financial status. Mr. Lauro stated if the Authority is not going to have a maximum amount it should add a sentence stating that the maximum amount is at the discretion of the board and may not result in a full 1:1 matching grant. Authority member Jones asked if the minimum amount is too low, and worthwhile for the work involved. Mr. Paxton stated a \$1,000 project may be a lot for a small business, and staff didn't want to foreclose those smaller projects by setting it too high. Authority member Hackenbracht asked if we should add a maximum amount of \$25,000. Mr. Paxton responded the Board should do that only if the Authority doesn't think it would ever need to go over that amount. Chairman Koontz stated by not limiting the maximum the Board could examine the funds and possibly pay more as a worthy project may be over that maximum amount. Mr. Shepherd asked if a business has a \$40,000 project and expected to receive a 1:1 match, but the Authority only had \$15,000 in the bank would the EDA be expected to make up the difference. Mr. Lauro stated without the proposed amended language that could be the case. Mr. Lauro added the grant does have other language that says the amount of funding available for the Façade Enhancement Grant will be established by the Board after reviewing the Authority's financial status, so after the Authority's first January meeting based on its finances could stipulate a certain amount of dollars on a first come first serve basis. Mr. Lauro added if the town council has funds left over at any time they could grant them to the EDA for this specific program.

Authority member Shepherd MOVED, seconded by Authority member Hackenbracht to APPROVE the Façade Enhancement Grant Program, as amended, adding the language recommended by Mr. Lauro "the maximum amount is at the discretion of the board and may not result in a full 1:1 matching grant". There was no roll call vote, and all members present signified by saying AYE.

3. Consideration Façade Enhancement Grant Award – Nelson Theatre restoration. Mr. Paxton noted that the just approved façade program was initiated based upon this request, and since the program didn't exist before tonight, Mr. Boor had not filled out an application. Staff's analysis of the request determined that, more than \$15,051.06 on Theatre restoration to date, and the Authority should have no issue with acquiring the appropriate documentation to allow the Board to consider the grant. Mr. Paxton noted if this Board approves the grant, it should be contingent on receiving adequate documentation from the applicant. Staff will follow up with Mr. Boor to assist him in completing the application.

Authority member Shepherd MOVED, seconded by Authority member Jones to APPROVE awarding John Boor and the Nelson Theatre \$15,051.06 under the Façade Enhancement Grant Program, contingent the completion of the grant application. There was no roll call vote, and all members present signified by saying AYE.

New Business:

Mr. Paxton referred to the Revolving Loan Fund information included with tonight's packet. This is information from 2002 when the program was initially set up. It included a structure that used First Virginia Bank as the participating lending institute to review the loan applications for credit worthiness on behalf of the EDA and made a recommendation. Mr. Paxton noted First Virginia Bank is no longer in business. He requested that to reinvigorate the program, the Board members review the structure to determine the appropriate changes. Due to the expertise required for reviewing credit worthiness, Mr. Paxton and Mr. Showalter advised it would be difficult for staff to do the actuarial analysis, as they don't have the experience or the resources. Mr. Lauro asked if the bank was paid a fee for their underwriting credit analysis. Mr. Shepherd stated Authority member Mike Koontz worked for First Virginia Bank, and

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offered his expertise and the banks services at no charge in the early days to get this program up and running, and would possibly continue to do the same with First Bank whom he works for currently. Mr. Lauro said Rural Development also does credit analysis underwriting for all of their loans as well, which is an option.

Mr. Paxton also stated the Authority should begin considering ideas to advertise these programs as Mount Jackson is one of few towns with these resources to attract small businesses. He stated one option would be the chamber, the small business group at JMU to analyze and market this. Mr. Lauro suggested a link on the town's website is also a good resource.

Mr. Shepherd opened discussion to whether other smaller communities pay EDA members for participating in these meetings. Mr. Lauro stated he was aware of one that paid \$200/meeting, but wasn't sure if that was the statutory maximum, and Mr. Paxton stated Rockingham paid \$50/meeting. All members present agreed not to be paid at this time.

Authority member Hackenbracht made a motion to adjourn the meeting at 6:00 PM.

Submitted By:

Debbie Stover
Town Clerk