

**City of Moorhead  
Economic Development Authority  
Meeting Minutes  
January 26, 2009 at 11:30 AM  
1st Floor, South Board Room, Moorhead City Hall**

Pursuant to due call and notice thereof, a regular meeting of the Economic Development Authority was held in the 1st Floor, South Board Room, Moorhead City Hall, on January 26, 2009, at 11:30 AM.

**1. Call meeting to Order/Roll Call**

**Roll call of the members was made as follows:**

3rd Ward Council Member:	Lauri Winterfeldt	Absent
4th Ward Council Member:	Mark Hintermeyer	Present
Board Member:	Gane Skatvold	Present
Board Member:	James Taylor	Absent
Vice Chair:	James Welch	Present
Board Member:	Jon Riewer	Present
Chair:	Kay Parries	Absent
Secretary:	Kelli Poehls	Present
Board Member:	Mark Wallert	Present
Board Member:	Robert Remark	Absent
Board Member:	Werner Golling	Present

**Others Present:**

Harlyn Ault	Finance Director
Wanda Wagner	Assistant Finance Director
Peter Doll	Manager of Business & Development Services
Scott A. Hutchins	Director of Community Services
Michael Redlinger	City Manager
Bill Schwandt	Public Service General Manager

**2. Agenda Amendments**

Minutes: None.

**3. Approve Minutes from November 24, 2008 and December 15, 2008 meetings.**

**Motion made to Approve made by Gane Skatvold and seconded by Werner Golling**  
Motion carried by unanimous voice.

**4. Citizens Addressing the Board**

Minutes: None.

**5. Final 2009 EDA Budget & Levy - Harlyn Ault, Finance Director**

Minutes: Hutchins began with a brief introduction and summary of previous budget discussions. Hutchins also stated that City Manager, Mike Redlinger, and himself had recently met with the board of the Greater Moorhead Development Corporation and they were moving forward with the solicitation of a person for the business liaison position. More information would be forthcoming.

Harlyn Ault, finance director, turned the board's attention to the Moorhead EDA 2009 Budget Report submitted to them in their packet. He stated that the primary modification by the City Council was the reduction of the levy request from \$333,000

to \$283,000 with the difference of \$50,000 to be taken from the EDA reserve account. Ault went on the state that the \$120,000 loan (in connection with the wetlab project) was not incorporated into this report and would occur at the time action had been taken and approved by Council.

Hutchins reported that the Wetlab application was in process and had been given a "courtesy review" by DEED but they are not able to accept the application until a legislative change to the grant language was approved. Once the application has submitted, reviewed, and approved, then further discussion of the cash flow can occur.

Poehls asked what would happen if the legislative bill was not introduced or did not come to fruition. What options would there be at that time? Hutchins stated the grant was about the State's matching contribution and if the legislative fix did not happen, money from some other source would be needed if the project were to proceed.

## **6. 2009 Municipal Budget and Legislative Update - Michael Redlinger, City Manager / Scott Hutchins, Community Services Director**

Minutes: Redlinger provided a brief summary of the recent unallotment of local government aid to cities and the effects on the city budget for 2008. Redlinger stated that the current situation was indicative of what would be coming in the future and set the stage for future deficit discussion. Other materials included in the packet demonstrated how City budgets had been reduced in past years. Redlinger stated that work would continue on addressing the current budget situation as more was known from the state. He also emphasized that the city and the school district team together and remain positive on the message of continued investment in the community. Redlinger stressed Moorhead's fiscal strengths and the city's ability to weather this financial storm.

Board members questioned Redlinger on specifics of the forecasted budget shortfall, timing issues, and related topics. Redlinger explained that the city plans to use reserves to bridge the gap between finding a structural solution to the budget problem and actually implementing those solutions. The use of general fund reserves would buy the city needed time to make those decisions.

Redlinger ended with a discussion of the Federal Stimulus Package and Moorhead's readiness to accept stimulus funds. He stated that stimulus funds will not be distributed to cities on a project basis but rather through state agencies like the Minnesota Department of Transportation. Redlinger indicated that stimulus dollars will be modest but that Moorhead was "ready to go."

Hutchins provided a legislative update to board members beginning with grants to local jurisdictions beyond local government aid that are handled by the property tax divisions of the house and senate tax committee.

Disparity reduction credit is one such program. Hutchins summarized disparity reduction credit as a state paid credit that is moved into the property tax system to write down commercial-industrial taxes to an effective tax rate similar to Fargo and West Fargo. This credit was created for the border communities of Moorhead, Dilworth, East Grand Forks, Breckenridge and Ortonville to be competitive with their North Dakota neighbors. This credit was projected to represent \$11 million dollars over the next biennium. Staff provided an analysis to legislators to illustrate what would happen if the credit was not funded.

Bonding bill. There is discussion to move away from this self-imposed 3% revenue limit for debt service that legislature imposes upon itself.

Other topics: statewide incentives for business growth and development; "green job" and tax credit proposals as a way to stimulate business investment; and lowering corporate income tax as a way to stimulate job and business growth.

## 7. Continue Discussion of Economic Incentives

Minutes: Hutchins began by summarizing the proposed Pactiv expansion and the incentive requested. He stated that Pactiv has asked for the incentive package to be reevaluated because the credit offered did not have a direct effect on the Moorhead division but rather the corporation as a whole. Hutchins stated that Pactiv has made it clear that the credit needs to be accounted as a direct credit to the Moorhead operation for the project to be viable. He stated that staff met and discussed other options for an incentive that would have a direct affect on Pactiv's Moorhead plant and again focused on options related to the electric utility.

Bill Schwandt, General Manager, Moorhead Public Service, summarized key issues outlined in his communication distributed to the EDA. He stated that 15% of new revenues from Pactiv's load would be rebated back to the business. This rebate funded totally by electric sales to Pactiv would be a transfer from the city's general fund to the company and not a modification of the base electric rate. Essentially, the city is rebating what would be the "transfer" to attract the new business, realizing that but for this expansion, the city would not have realized any increased revenue.

Schwandt gave the board a brief background of Pactiv's initial request of discounted electrical rates, where the request originated, and why it is not possible for MPS to provide that type of discount any longer. Narrow profit margins and high loads were among a few reasons a discounted rate was no longer an option. Schwandt stated that he saw the need to standardize the practice of offering incentives based on a base electric rate as an economic development tool. He stated that there may be other large corporations with heavy electric loads looking to expand that would do so if such a tool were available.

Hintermeyer agreed with Schwandt that once one business received an electric rate cut more businesses would ask for the same and that an "across the board" policy needed to be in place. He was also concerned that such a transfer would not impact the general fund and/or city.

The board discussed various aspects and questions regarding this type of incentive. Hutchins stated that the policy could be written to narrowly focus on value, type of business (classification), value of business activity, and number of jobs created. These are similar to criteria that all border cities programs now which are had been used to determine what level of incentive could be made available to a business.

Hutchins reiterates the concept that this rebate is revenue "not yet in the system" but rather a short term "increment, based upon good policy guidelines, not dissimilar to what the board has generated in the past for other types of incentives.

Poehls questioned that if this incentive was in essence an agreement between the city and Moorhead Public Service what was the EDA's role? Hutchins stated that developing policy for the purpose of economic development would naturally be the role of the EDA and that the city council and MPS would look to the EDA for assistance.

Finally, Hutchins suggested that he would like to inform the company that we are looking at an alternative that may better fit their needs. The board and Hutchins agreed that it would be made clear that this is "new ground" and complicated by issues that are multi-jurisdictional but from the company's perspective, it will be the right path for them.

**8. Information / Update**

Minutes: Wallert requested that Kay Parries and Jon Riewer give the EDA a report on their contact and conversation with GFMEDC board of directors in December.

**9. Adjourn**

APPROVED BY:

ATTEST:

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Kay Parries  
Chair

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Kelli Poehls  
Secretary

The proceedings of this meeting are digitally recorded and are available for public review.

*Respectfully submitted by:*  
*Amy Thorpe, Community Services Program Assistant*