

**CHARTER TOWNSHIP OF VAN BUREN
LOCAL DEVELOPMENT FINANCE AUTHORITY
MINUTES**

Special Meeting: August 18, 2015 - Denton Room

Chairman Dotson called the meeting to order at 2:15 p.m.

ROLL CALL:

Present: Chairman Dotson, Barker, Hayes, Peters, Williams, & Supervisor Combs,

Planning Director: Ron Akers

Staff: Recording Secretary Grishaber

Absent Excused: Armstrong, Covington & Dobriansky

Audience Members: (7) people in audience.

APPROVAL OF AGENDA:

Motion Peters, Hayes seconded to approve the July 21, 2015 agenda as amended: to include Public Comment under an added section of Non-Agenda Items. **Motion Carried.**

NEW BUSINESS:

Supervisor Combs introduced Jim Crowley, an attorney from Clark Hill and Nate Watson, a bond investment advisor from PFM Group. Mr. Crowley gave a brief history that the LDFA issued bonds in 2003 to do infrastructural improvement to the Visteon site and encourage that development. A portion of those bonds were refinanced in 2006 and are eligible for refinancing in 2015. Because of currently favorable interest rates, PFM has calculated that refinancing will yield approximately \$1 million in interest savings.

Mr. Crowley explained that both the LDFA and the Township have previously passed resolutions authorizing the refinancing of the bonds. Additionally, the Township had considered using General Fund monies to "buy back" a large portion of those bonds in order to lower the amount of bonds to be refinanced. Ultimately, however, the Township chose not to make that contribution.

Mr. Watson noted that the projected date for the LDFA's inability to make scheduled payments was originally 2017 and that refinancing pushes the date out to 2018. The Township, who is backing the bonds, has a Standard & Poor's rating of A+, which could be damaged by a payment shortfall. Because payments have been made as scheduled, the Township has been able to maintain the rating.

Mr. Crowley explained that the bonds that are issued by the government are tax exempt, but are issued with a set of rules. The LDFA has funds totaling approximately \$5.5 million. Upon analyzing what could be done with the funds, PFM made the determination that the funds are

to be used for debt service: there are no future developments scheduled and there are some small (budgeted) expenditures. Under federal law, the LDFA is allowed to keep funds on hand for debt service, but that amount cannot exceed one year of debt service payments plus one-twelfth of the following year's expected expenditures. So, PFM's analysis revealed that approximately \$1 million can be maintained by the LDFA but that the remaining approximate \$4.5 million should be used to pay down the bonds. By making the payment, \$12 million in bonds will be refinanced rather than the \$16 million that are available for refinancing.

Mr. Crowley indicated in summary, it is his professional opinion, that without any site development plans and in light of the IRS rules, paying down the bonds is required. He noted that the good news is that this scenario pushes out the projected shortfall from 2018 to 2019. Some discussion ensued with board and the consultants regarding cash flow projections and other documentation prepared by PFM. Mr. Watson explained that the recommended payment of \$4,516,000 serves to satisfy federal tax rules compliance and also, to reduce the overall deficit through the life of the bonds. He further stated that making the recommended payment is looked upon favorably by the investment community.

Mr. Peters asked why the Township chose not to make the down payment on the bonds and Supervisor Combs replied that the Board wanted to leave the money in the Landfill Fund to be used for future obligations. He expressed several concerns, including: that he would rather sell as many bonds today at the lower interest rates, then sell bonds in the future at higher interest rates; that in previous discussions, the LDFA Board was hoping the future development within the district would alleviate any projected shortfalls; that by paying out a large amount it would hurt the LDFA's ability to facilitate future development; and that by pushing off the shortfall another year that it could hurt the "ripeness of the Visteon case" in that the shortfalls are currently only projected and have not yet occurred. He also asked about the rate of return of the money held in the Landfill Fund, to which Supervisor Combs replied that she will check with the Treasurer's Office.

Mr. Peters asked if the payment is made, will it leave enough money for the Township's legal costs for Clark Hill. Currently, \$200,000 is budgeted each year for attorney fees, which should be adequate. Mr. Crowley noted that Mr. Kashef, a fellow Clark Hill attorney, is aware of the situation and they do not anticipate a problem. Mr. Peters requested to document (in these meeting minutes) that the LDFA Board does not foresee funding as a problem for the lawsuit against Visteon. Mr. Peters stated that someone, "needs to go back to the Township to ask them to start paying down the debt with that [Landfill Fund] money" due to the low rate of return that is expected to be earned on the refinanced bonds. In further discussion, Supervisor Combs noted that she was in favor of making a down payment, but that a majority of the Board voted otherwise. She also expressed her concern that the bonds need to be refinanced as soon as practical in light of Wayne County's financial situation. Mr. Peters asked how much money is in the Landfill Fund. Supervisor Combs stated that it currently stands at approximately \$5 million. She noted that she had recommended a bond down payment of \$4 million with \$2 million coming from the Landfill Fund and \$2 million from the General Fund. She further stated

that she doesn't believe that the Township Board will entertain any more suggestions to escalate debt payments.

An audience member expressed several concerns, including that in 2004 the conversation was, "what happens if Visteon goes bankrupt" and was told by another audience member that would never happen. He also noted that a committee member has asked repeatedly what would happen if there is a shortfall and that the same committee member has been asking these questions since 2004. He expressed other concerns about "safety nets" regarding the bond investments. More audience questions and discussion continued.

Mr. Peters inquired if the Township will be considering any new tax millage proposals in the future. He noted that in anticipation of avoiding a bond payment shortfall, that it may be necessary to put a millage question on a ballot as early as 2017. Supervisor Combs replied that yes, the Board is looking at all options and that the Township Board has authorized ballot language to request 6.5 mills to fund Public Safety, which will alleviate pressure on the General Fund. The Public Safety millage question will be put before voters in November 2015.

Motion Barker, Hayes seconded to authorize the contribution of \$4,516,000 to be paid toward the refinancing of a portion of the LDFA's 2006 tax incremental bonds. **Motion carried.**

NONAGENDA ITEMS & PUBLIC COMMENT:

An audience member stated his concerns that the LDFA Board currently has three vacant seats. He noted that it is important to have a quorum for each meeting considering the meetings are only scheduled for every other month.

Chairman Dotson commented that the committee must move forward on all items discussed. The Board is investigating the matter of meeting teleconferencing and will place the matter on the agenda for discussion at a future meeting.

ADJOURNMENT:

Motion Hayes, Peters seconded to adjourn the meeting at 3:15 p.m. **Motion Carried.**

Minutes Respectfully Submitted by:



Tina Grishaber
Recording Secretary