



CITY OF FRANKLIN

COMMUNITY DEVELOPMENT DEPARTMENT

MINUTES

ECONOMIC DEVELOPMENT COMMISSION

July 9, 2019

Members Present:

Jake Sappenfield	President
Josh DeArmitt	Vice President
John Ditmars	Member
Lee Hodgen	Member

Others Present:

Krista Linke	Director of Community Development
Julie Spate	Recording Secretary

Call to Order:

Jake Sappenfield called the meeting to order.

Approval of Minutes

Lee Hodgen made a motion to approve the April 30th minutes. Josh DeArmitt seconded. Passed.

Old Business

New Business

EDC 2019-02: Otterbein Homes (Franklin United Methodist Home): Economic Development Bond –

Rob Schafstall introduced Bond Attorney Mike Dean from Dinsmore and Shohl out of Cincinnati and CEO Rob Newcomer of the Franklin United Methodist Home. Mr. Dean explained the resolution being asked for are statutory requirements under Indiana law. It is a conduit revenue bond issue. The city acts as a conduit issuer and then loans the proceeds to a 501(c)(3) entity. They are bonds that are not general obligations of the city. There is no full phase and credit pledge. The only security for the bonds will be Otterbein's revenues. Annual payroll is just over \$10 million. Mr. Schafstall highlighted the provision in Indiana law that states this should only be done if it doesn't have an adverse competitive effect. Mr. Dean maintained that because it is a sole refinancing it would not have an adverse competitive effect. Mr. Newcomer stated that all was true and that Otterbein's position is that the project will benefit the health, prosperity, economic stability and general welfare of the city and the citizens. Mr. Sappenfield asked for 2016 and 2017 financials in addition to 2013-2015 provided. Mr. Schafstall has them and will distribute. Mr. Sappenfield asked what the difference is between Otterbein's past and future payments with this refinance. Mr. Dean said it's hard to tell since it will be publicly marketed. Mid- to late July they plan to price. Mr. DeArmitt abstained from discussion and voting. Mr. Dean asked the documents be updated from \$25 million to \$27.5 million and remove the brackets. John Ditmars asked what the city's fiduciary responsibility is as the conduit. Mr. Dean explained the loan agreement will be immediately assigned to a bond trustee who will have the right to receive payments. Otterbein will make direct payments to the bond trustee who will then pay the bondholder. If there ever is a default, the city would be involved. There is a requirement to sign some documents including tax-exempt bond form IRS 8038. It would be in the city's name as the nominal issuer of the bonds. The 2015 issue was

tax-exempt and privately placed with Huntington Bank. That was the last time the city issued bonds. When Otterbein took control of the city, they refinanced the 2015 bonds with a taxable loan from Fifth Third. They are taking it back to tax-exempt which over time will save more money than taxable. Mr. Ditmars reflected that in the event of default the risk to the city is minimal but reputational. Mr. Dean countered that it would not be reputational to the city but to Otterbein. Mr. Ditmars noted that there is nothing in the Findings of Fact citing review of the financial matrix. Mr. Dean explained that is not a statutory requirement, but he is willing to change the language if desired. He also added that the Ohio piece is approximately the same as Indiana, expecting about 45 total for the not to exceed amount.

Mr. Ditmars made a motion to adopt the findings of fact. Mr. Hodgen seconded. Passed with Mr. DeArmitt's abstention. Ms. Linke pointed out that the number in the report had been updated to \$27.5 million from \$25 million. Mr. Ditmars made a motion to accept the report and Mr. Hodgen seconded. Passed with Mr. DeArmitt's abstention. Mr. Ditmars made a motion to approve the resolution with updated information and that there is nothing adverse with regards to cash flow coverage. Mr. Hodgen seconded. Passed with Mr. DeArmitt's abstention.

Mr. Dean added that the city will be entitled to an issuer fee as part of the cost for issuance for the transactions, approximately \$15-20,000.

Other Business

2019 Economic Development Fees - \$22,076.51

Ms. Linke received notification from the county auditor's office of what had been collected for this year's real and personal property economic development fees through last year's taxes that were paid in June. The application packet was updated with the date, having them due by Tuesday, August 6, at 4:00 p.m. They can be reviewed at the EDC August 13 meeting and a recommendation made to City Council for where funds should be distributed to. Mr. Ditmars asked if everyone has paid and Ms. Linke confirmed. Mr. Sappenfield asked how they pay. Ms. Linke explained there is a line on their tax bill for special assessment referring to the economic development fee. Mr. Sappenfield requested the list be e-mailed to them.

Jayne Rhodes asked why the Otterbein bond is being signed by the city if the city has no responsibility. Mr. Schafstall stated they need the city to secure a tax exempt rate. It allows the bondholders to not pay taxes. Otterbein is doing the same thing with Warren County, Ohio, and if that does not happen, the city's portion will not happen either. Ms. Linke identified their collateral to be all the other properties they own. Mr. Schafstall explained that to be five mortgages.

Adjournment

There being no further business, a motion for adjournment was made.

Respectfully submitted this 10th day of September, 2019.

Jake Sappenfield, President

Ken Austin, Secretary