

Minutes
Missouri Development Finance Board
Harry S Truman State Office Building, Room 750
301 W. High Street
Jefferson City, Missouri

February 17, 2004

The Missouri Development Finance Board met in regular session via telephone conference call, on Tuesday, February 17, 2004 beginning at 10:00 a.m. The conference call originated from the Harry S Truman State Office Building, Room 750, 301 W. High Street, Jefferson City, Missouri.

The following members and officers of the Board were present or absent at the meeting, as follows:

Elizabeth Solberg	Chair & Member	Present*
John D. Starr	Vice Chairman & Member	Present*
Susan Lauman Constance	Secretary & Member	Present*
Bill M. Burch	Treasurer & Member	Present*
Paul S. Lindsey	Member	Present*
James O'Mara	Member	Present*
Larry D. Neff	Member	Present*
Richard J. Wilson	Member	Present
Nelson C. Grumney, Jr.	Member	Present*
Joe Maxwell	Lieutenant Governor & Member	Present*
Kelvin L. Simmons	Dir., Dept of Econ. Dev. & Member	Present
Peter Hofherr	Dir., Dept of Agriculture & Member	Present
Robert V. Miserez	Executive Director & Assistant Secretary	Present

*Members participating by telephone conference call.

Chair Solberg declared that a quorum was present and called the meeting to order. In addition to the above, those in attendance included: David Queen, Board counsel; Ashley Weaver, Kathleen Barney, Pamela Hill, Jonathan Brightwell and Pam Campbell, Board staff; Theresa Hassler, Lt. Governor Joe Maxwell's office; David Seamon, Mike Downing, and Terry Maglich, Department of Economic Development; R. Patt Lilly, St. Joseph Chamber of Commerce, representing the Triumph Foods, LLC project; Mark Proudfoot, Raymond Caddy, Peter Olierook, and former State Representative Gary Burton representing The Greater Outdoor Grill project.

I. Secretary's Report

Secretary Constance

Secretary Constance presented for approval, the minutes from the January 20, 2004 meeting. A copy of the minutes, included in the Board packet was provided to the members for their review. Member Hofherr requested a correction to the minutes as follows—under the Department of Agriculture Report; “Director Hofherr reported that the discovery of a cow infected with BSE (bovine spongiform encephalopathy) in the State of Washington has had a **negative** impact on Missouri beef.” The original minutes reflected ...a positive impact.

There being no other corrections or additions, Secretary Constance made a motion to approve the minutes as submitted, with the noted change. Member Neff seconded the motion. The motion being put to a vote, the following roll call vote was recorded:

Aye: Solberg
Aye: Starr
Aye: Constance
Aye: Burch
Aye: Lindsey
Aye: O'Mara
Aye: Neff
Aye: Wilson
Aye: Grumney
Aye: Hofherr
Aye: Simmons
Aye: Maxwell

Nay: None

Chair Solberg declared the motion passed.

II Treasurer's Report

Treasurer Burch

Treasurer Burch presented for approval, the treasurer's report as of and for the month ending January 31, 2004. A copy of the treasurer's report, included in the Board packet, was provided to the members for their review. There being no questions, corrections or additions, Member Burch made a motion to approve the treasurer's report as submitted. Member O'Mara seconded the motion. The motion being put to a vote, the following roll call vote was recorded:

Aye: Solberg
Aye: Starr
Aye: Constance
Aye: Burch
Aye: Lindsey

Aye: O'Mara
Aye: Neff
Aye: Wilson
Aye: Grumney
Aye: Hofherr
Aye: Simmons
Aye: Maxwell

Nay: None

Chair Solberg declared the motion passed.

III. Department of Economic Development Report Director Simmons

Director Simmons began by reporting that SB1234, which implements the Jobs Now infrastructure bond funding program, has been filed by Senators Mathewson and Childers. Within the bill, the MDFB is mentioned as the entity that will accept and review applications for infrastructure related projects. Director Simmons has spoken with one of the bill sponsors who's thought was that if this bill were to pass, the MDFB would be the natural entity to accept and review applications for the Jobs Now program.

Director Simmons continued reporting that Jobs Now calls for the repeal of three existing tax credit programs; transportation, business facilities and research and development. The savings from these programs is estimated at approximately \$12M-\$15M annually. This amount would be put into a fund for the Jobs Now program to be underwritten for the issuance of bonds in an approximate amount of \$150M-\$250M.

Director Simmons concluded by reporting that in the Jobs Now program at least 60% of the program addresses infrastructure, 20% addresses life science districts and the remaining 20% addresses infrastructure related issues that can also accept federal matches. Other components of the program contain language for working with colleges and universities, loan forgiveness for students that choose math and science fields and bond capacity to community colleges for training.

IV. Department of Agriculture Report

Director Hofherr

Director Hofherr began by reporting that the State and the Nation are still responding to the BSE (bovine spongiform encephalopathy) case that was found in the State of Washington. The investigation from the USDA is complete and work continues with our Canadian counterparts to make sure that both countries deal swiftly with future cases. In the U.S. and Missouri, this has created new ways of doing business and potential challenges to our 68,000 cattle producers. The national identification system, which will provide the capability to trace back an animal within 48 hours, will be mandated at the federal level. Currently there are three different bills, regarding the identification system, that have been introduced in Congress. The thought by the experts is that none of this legislation will pass. Nevertheless it is the beginning of a long discussion this country is having about how it works with livestock and BSE. The FDA (Federal Department of Agriculture), FSIS (Food Safety and Inspection Service), which is a department within the USDA (United States Department of Agriculture) and APHIS (Animal and Plant Health Inspection Service) have implemented rules on how beef is processed and distributed to the country. The rules have a major impact on the State due to Missouri's being the #2 cow and calf production in the nation. Sixty percent of Missouri agriculture is derived from livestock. The State Veterinarian, Taylor Woods, is a member of the national committee, which is working on the development of the national identification system.

Continuing, Director Hofherr reported that at the federal level, the Department is reviewing a decreased version of the energy bill, which is working its way through the Senate. Last year the energy bill died in conference and this year it is being introduced again. The energy bill contains incentives for bio-based fuels, which Missouri is currently developing and producing.

Continuing, Director Hofherr reported that the United States has completed a trade agreement with Australia. The Department is currently analyzing and preparing comments on the impact to Missouri. More information will be available at a later date.

Continuing, Director Hofherr reported that statewide, the Department is excited about the Jobs Now initiative because of the benefits for rural Missouri. The Department believes this program will help bridge the gap for infrastructure development that exists in many communities in the State. The skill set development portion of the bill will assist the regional universities as the economy transitions from an industrial based workforce to a knowledge based workforce.

Continuing, Director Hofherr reported that the Department, the Governor and others are looking for the State to begin increasing its investment in rural Missouri through finding a permanent solution to funding the Ethanol incentive fund. In the past the incentive was funded through general revenue or by taking funds from other non-general revenue accounts. Currently, the fund is under funded with no more than a third of what is needed. Due to the budget difficulty additional funding won't be forthcoming. As the State begins to develop the bio-based industry for fuel, the Department is attempting to find resources to permanently fund that development.

In conclusion, Director Hofherr reported that the Missouri Agriculture & Small Business Development Authority recently held a very successful training session for a new generation of cooperative board members. The expected attendance was 40 and 120 showed up. Missouri Agriculture & Small Business Development Authority continues to assess the skill sets that the Board members need to be successful in their endeavors. It is evident that the State is moving towards a second phase in new generation start up cooperatives. Other tools will be needed for the shift from a commodity-based economy to a specialized crop based economy. Among the changes that the Department are exploring is revisions to the cooperative law by alleviating the duplicity when new cooperatives are required to develop two different organizational structures to participate in federal and state incentives, and to attract more non-farmer investment into their farmer controlled organizations.

V. Lieutenant Governor's Report

Lt. Governor Maxwell

Lieutenant Governor Maxwell began by reporting that there are good things happening in the State's economy. He referred to the information that former director Driskill had given regarding an increase in jobs. However, the Lieutenant Governor stated the budget situation is still critical and the State still has to catch up with additional tax rebates and refunds that are being sent out as a result of the federal government changing the tax structure. Additionally, the State is still sluggish in revenue collecting in several areas. The Governor and the Legislature are still faced with difficult decisions that have to be made to balance this year's budget and to keep the State moving forward.

Lieutenant Governor Maxwell further reported that the budget situation impacts the Board in several ways. He referred to recent comments made by some legislators regarding education and the lack of funding for public schools and that the Governor was giving away millions of dollars to certain corporations. He reported that several of those comments were directed at actions taken by this Board.

He reminded the members that the Board should continue to be diligent in the review of every application that is received so that the Board can continue to justify the money that is being spent especially in regards to those cases where we have asked that the statutory cap on the tax credit program be removed so more money could be spent than is allowed.

The Lieutenant Governor further reported that while the request to exceed the tax credit cap can be approved by the Director of the Department of Economic Development, Revenue and the Office of Administration, more questions will arise as the legislature continues to fight its way through a very tough budget time. The legislature will be looking at what those projects represent, what dollar amounts they represent and what the return will be to the State.

Concluding, the Lieutenant Governor thanked Theresa Hassler for her work with his office and informed the members and staff that her last day with his office would be February 27th.

VI. New Business

A. MBE/WBE Resolution

Robert V. Miserez

Mr. Miserez began by reporting that the Lieutenant Governor requested that the Board consider and adopt a resolution to place language on all its applications that the Board encourages the use of Minority Business Enterprises (MBE) and Women Business Enterprises (WBE) in projects funded with Board financing programs. Additionally, the resolution would require quarterly reports from staff to the Board on the use of such MBE/WBE firms in the Board's projects.

Mr. Miserez further reported that this encouragement of using historically disadvantaged firms is intended to extend to the Board purchases of goods and services when possible. Mr. Miserez concluded by recommending adoption of the resolution.

Following discussion, Member Maxwell made a motion to adopt the following resolution:

Whereas, the Missouri Development Finance Board (the "Board") desires to adhere to the spirit of Executive Order 98-21 by encouraging and promoting minority and women owned businesses in the State of Missouri; and

Whereas, the Board desires to encourage and increase the participation of Missouri's minority and women owned business in the Board's programs and purchases;

NOW BE IT HEREBY RESOLVED, that

- 1. As soon as practicable, but in no event later than June 30, 2004, the Board will revise all of its applications and purchasing solicitations to include the following statement: “The Board encourages the involvement of minority and women-owned business in all of its programs and purchases.”**
- 2. Beginning March 2004, Board staff will submit quarterly reports to the Board on the participation of minority and women owned-business in applications submitted to and approved by the Board.**

Member Neff seconded the motion. The motion being put to a vote, the following roll call vote was recorded:

Aye: Solberg
Aye: Starr
Aye: Burch
Aye: O’Mara
Aye: Neff
Aye: Wilson
Aye: Hofherr
Aye: Simmons
Aye: Maxwell

Nay: Constance
Nay: Lindsey
Nay: Grumney

Chair Solberg declared the motion passed.

- B. Kansas City, MO; Guadalupe Center, Inc. Robert V. Miserez
Contribution Tax Credit Application

This item was removed from the agenda prior to the meeting.

Citing the potential for a conflict of interest, Member Starr abstained from the discussion and vote on the following project.

C. City of St. Joseph – Triumph Foods, LLC Project Ashley Weaver
Infrastructure Facilities Revenue Bonds
Second Loss Reserve
Authorizing Resolution

Ms. Weaver began by reporting that the City of St. Joseph submitted an application for revenue bond financing in the amount of \$26,000,000. The first phase of this project is for public infrastructure financing in an amount not to exceed \$10,500,000. As such, this series of bonds will be a tax-exempt bond issue.

Public Infrastructure Financing (Tax-Exempt)	\$10,500,000
Financing—Infrastructure & Real Property (Taxable)	<u>15,500,000</u>
	\$26,000,000

Ms. Weaver further reported that the City has not only agreed to finance infrastructure improvements including the expansion of the city’s sewage treatment plant, but also plans to finance the real property involved in the construction of 550,000 gross square feet of improvements on 127 acres for a corporate headquarters and processing facility.

Ms. Weaver referred the members to the Board packet, which further detailed the project. She concluded by recommending adoption of the authorizing resolution in an amount not to exceed \$10,500,000 as well as funding a second loss reserve fund in the amount of \$500,000.

Ms. Weaver introduced Mr. R. Patt Lilly, who provided information about the project.

Following discussion, Member Neff made a motion to adopt the following preliminary resolution for the City of St. Joseph—Triumph Foods, LLC project:

RESOLUTION AUTHORIZING THE ISSUANCE OF INFRASTRUCTURE FACILITIES REVENUE BONDS (CITY OF ST. JOSEPH, MISSOURI—TRIUMPH FOODS, LLC PROJECT), SERIES 2004, IN AN AGGREGATE PRINCIPAL AMOUNT NOT EXCEEDING \$10,500,000, TO PROVIDE FUNDS TO BE LOANED TO THE CITY OF ST JOSEPH, MISSOURI; AND AUTHORIZING CERTAIN DOCUMENTS AND ACTIONS IN CONNECTION WITH THE ISSUANCE OF SAID BONDS.

Member Constance seconded the motion. The motion being put to a vote, the following roll call vote was recorded:

Aye: Solberg
Aye: Constance

Aye: Burch
Aye: Lindsey
Aye: O'Mara
Aye: Neff
Aye: Wilson
Aye: Grumney
Aye: Hofherr
Aye: Simmons
Aye: Maxwell

Nay: None

Abstain: Starr

Chair Solberg declared the motion passed.

- D.** CFM Majestic Greater Outdoor Grill, Joplin, MO Ashley Weaver
BUILD Missouri Program
Preliminary Resolution in an amount not to exceed \$779,500
Presentation only with no action recommended.

Mr. Miserez advised the Board members that upon reviewing the exhibit it was his conclusion that the application and Department recommendation was incomplete, did not meet basic eligibility thresholds and should not be considered until this information was provided.

It was reported that even though this had been pulled from the original agenda representatives from the borrower were in attendance. Member Neff recommended those attendees be allowed to address the Board to discuss their project.

Ms. Weaver introduced Messrs. Proudfoot, Olierook, Caddy and Burton.

The representatives presented information about the company and the Joplin plant expansion and a competing site in Mexico. Mr. Proudfoot, company president, stated without this financing this expansion would occur in Mexico and not Missouri.

Following discussion, Member Maxwell made a motion that the project be approved conditioned on the Department and company providing the necessary information to the staff to meet the criteria needed for final approval. Member Neff seconded the motion.

Following additional discussion, Member Constance suggested an amendment to the motion that the resolution shall take effect immediately after the adoption by the Board and approval by the Executive Committee. Members Maxwell and Neff agreed to the amendment. The amended motion being put to a vote, the following roll call vote was recorded:

Aye: Solberg
Aye : Starr
Aye: Constance
Aye: Burch
Aye: Lindsey
Aye: O'Mara
Aye: Neff
Aye: Wilson
Aye: Grumney
Aye: Hofherr
Aye: Simmons
Aye: Maxwell

Nay: None

Chair Solberg declared the motion passed.

Chair Solberg thanked the representatives for the presentation.

VII. Miscellaneous

A. Executive Director Report

Robert V. Miserez

Mr. Miserez began by reporting on legislation that would have an impact on the Board and its programs if passed.

SB1234—Jobs Now. Already discussed by Director Simmons.

SB0777—Creates a new special Commission for the allocation of all tax credits that are issued by State agencies, with the exception of a tax credit program administered by the Department of Social Services. The Commission would have the authority to cap the amount of credits to 1 ½ percent of the total general revenue collections from the prior fiscal year, or \$125,000,000.

SB1099—Implements the tax credit accountability act requiring additional monitoring and reporting criteria.

SB0711—Job creation and fiscal accountability for Economic Development programs.

Mr. Miserez requested that Pamela Hill give a report on an early redemption for revenue bonds issued to the St. Louis Convention Center Hotel garage.

Ms. Hill reported that \$1,843,691 was originally segregated for the exclusive use of debt service and expenses for the St. Louis Conference Center Hotel Garage. In addition, the St. Louis Conference Center Hotel (“SLCCH”) bond proceeds have a remaining balance of \$1,628,000 in the Series C capitalized interest fund.

Ms. Hill advised the Board regarding the plan to pay down \$3,000,000 of the principle of the SLCCH Series 2000 Garage Bonds. We will redeem \$1,700,000 of the Series C bonds and \$1,300,000 of the Series B bonds.

With the income before depreciation that has been earned on the garage operation of \$527,944, and the fee the Board earned on the issuance of the garage bonds of approximately \$350,000 plus the Board restricted funds of \$1,843,691 there is \$2,722,000 in additional funds available to use plus the capitalized interest fund.

Ms. Hill concluded by reporting that after redemption of the bonds the remaining funds available for debt service and expenses will be \$1,350,000. After this redemption there will be a total of \$18,000,000 in outstanding bonds.

Chair Solberg thanked Ms. Hill for the report.

Mr. Miserez concluded by reporting that the Wonders of Wildlife bond tender offer was successful. A subordination agreement will be entered into for those new bonds and the museum district plans to request that the Board write off 61% of the loan amount.

- B. Tax Credit Status Report FYI Only
Potential Projects
Summary Activity Report

Chair Solberg requested a report on the status of the Board’s tax credit program.

Mr. Miserez reported that discussion continues with representatives of the Cortex on bringing their lapsed 2003 allocation back to the Board for approval to re-issue the credits in 2004.

SEMO—River Campus project continues to progress. The project representatives want to reduce the amount of individual credit contributions to broaden the potential donor base.

NABC—The Board previously authorized \$2,000,000 in credits to leverage \$4,000,000 in contributions. The project is changing and preliminary discussions indicate that the project may request the Board to re-authorize credits.

Member Constance requested that an expiration date be added to projects. Mr. Miserez reported that this would be implemented on all of the Board’s programs.

C. Miscellaneous

FYI Only

This was included for informational purposes only.

VIII. Adjournment

There being no further business to come before the members of the Board, the meeting was adjourned.

Secretary Constance