MINUTES
LAWTON ECONOMIC DEVELOPMENT AUTHORITY
THIRD FLOOR CONFERENCE ROOM
NEW CITY HALL
JUNE 18, 2020, AT 2:00 P.M.

Fred Fitch, Chair, called the meeting to order at 2:00 p.m. in the Third Floor Conference Room. Meeting notice and agenda were posted on the City Hall bulletin board as required by State Law.

ROLL CALL:
PRESENT: Denhan, David; Fitch, Fred; Fortenbaugh, Sean; Madigan, David; Means, David; Nance, Ron; Neal, Larry, Sheppard, Ernie.
ABSENT: Jackson, Keith.
OTHERS PRESENT: Richard Rogalski, Executive Director; Denise Ezell, City Clerk's Office; Susan Schlecht, Finance.

INTRODUCTION OF GUESTS

Fitch stated there are no guest today.

BUSINESS ITEMS

1. Consider approving the minutes of March 19, 2020.

Motion by Denham, **Second** by Neal, to approve the minutes of March 19, 2020. **Aye**: Fitch; Fortenbaugh; Madigan; Means; Nance; Neal; Sheppard; Denham. **Nay**: None. **Motion Passed**.

2. Consider approving invoices, requisitions, and all other submitted materials for payment and take action as deemed necessary.

Fitch stated we have two (2) checks. One (1) to CCIDA in the amount of $10,868 and one (1) to Lawn Wizards for $1,350.

Sheppard stated LURA just had to renew their contract with Lawn Wizards. I don't know what the agreement is with LEDA, but it might be time to renew the contract.

Ezell stated I'll check it.

Motion by Sheppard, **Second** by Madigan, to approve all invoices, requisitions, and all other submitted materials for payment and take action as deemed necessary. **Aye**: Fortenbaugh; Madigan; Means, Nance; Neal; Sheppard; Denham; Fitch. **Nay**: None. **Motion Passed**.

3. Receive Financial Report and take action as deemed necessary.

Rogalski stated we have Susan on the phone today.

Schlecht stated we have several months so let's begin with March. On the balance sheet in your apportionment fund there was $83,846, TIF I $94,148 and TIF II $324,290. Total cash in the bank of $502,445. As of March 31st LEDA had $89,883 in receivables and this is both sales and use tax and hotel tax. On the next page is your income and expenses tracker. Some of the changes on our total income was due to the state match. There is a negative 92.6% when you compare 2019 to 2020. The state match was received at a different time. The total change compared year to year is affected as well. Your total income is negative 40.9%.

Rogalski stated the state match is a pretty big chunk of your income.

Schlecht stated under the expenses there is a significant interest savings compared to last year. I'm sure this is due to the change on the loan. That is a negative 14%. Your year to date change on the total expenses is a positive 15.2%. Moving to the April report. On the balance sheet the apportionment fund is $132,813. The total amount in our savings is $690,548 and total receivables is $82,908.57. Total current assets for LEDA is $773,457. The CCIDA principal has changed slightly and we did make a payment in the month of April. Principal payments have been a bit of a challenge because of the lower hotel/motel tax that we have received. The hotel/motel sales tax for 2020 was more than we did the prior year. It was a 24% increase. Our total income is a negative 34.8%. The total expense is 11.9% and that is the year to date change. We are a little high on our expenses than what we were the previous year.

Denham stated Susan, this is David Denham. On the interest expense that is just where we are recording the expense and not paying it. That is why we have $190,000 more in cash.

Schlecht stated yes, that is the accrual. Some is actual expense. When we pay the CCIDA loan we do send money from the expenses on that particular loan. That is incorporated into that interest expense number. The majority is the actual line of credit. Now moving to May. The apportionment fund as of May was $132,814 and our checking/saving was $686,463. There was a little decline in TIF II but nothing major. Total receivables are $104,800. This is due to some paperwork getting jammed up. A lot of us were working remotely and it was a little more difficult to get people to sign things. We have received January, February and March hotel sales tax and sales and use tax. That will be reflected on the next report.

Rogalski stated we have sent off for the state match but haven't received it.

Fitch asked what was the amount of the state match.

Schlecht state $414,830.94. That request was mailed yesterday. It is a little bit later than normal due to our office being shut down. We hope to have it in time for our next loan payment. We will have to stay on top of that and make sure the state knows how urgent it is.

Fitch asked with that match coming in are we at $1.1 million.

Schlecht stated yes, I show $1,119,000. I'm working on getting all the revenues together. We have three (3) months of sales and use tax and hotel/motel tax outstanding. We haven't got the reports on those yet. We should get them before the loan payment is due. There will be a little there but not a lot. I will have to look at other accounts to help make the loan payment.

Rogalski stated we will be looking a lot of places for the loan payment.

Schlecht stated total current assets is $791,364. On the income and expense activity you see the decline in the hotel/motel sales tax. All that was received was $2,662 compared to last year. There is a change of negative 72%. Our March sales tax was $19,000 for a negative 53%. Property tax is a negative 89% but shouldn't be affected by all this. Out total income is down by 36.6% and expenses are up by 6.9%. That is your financial report.

Rogalski stated you see there are a couple of things outstanding and the biggest is the sale of the land for Bricktown Brewery. We show a loss of $309,000. That was part of the agreement with Bricktown. If we took that $300,000 out of our expenses, they would be less than last year.

Fitch stated this $309,000 was money we would have paid to Collett if he had produced a building. We deducted that from what we would owe him in the future. We gave the property to Mike Brown and I forgot how much he paid us.

Neal stated $22 or $24,000.

Rogalski stated they must perform for five (5) years. This is your standard economic development incentive. There are things they must do in order to keep the savings. If they do, we won't get any money back but will have earned a lot more in sales tax.

Fitch stated we deducted the $309,000 from Collett's revenue stream. Instead of the $608,048 we did owe him that has dropped to $304,000 or so. I don't remember the exact numbers.

Rogalski stated that was part of the development incentive in the original contract.

Denham asked isn't that original contract basically done.

Rogalski stated there is still a little bit of development incentive out there.

Denham stated the time lapse has got to be gone.

Fitch stated he will only get what is left in the account.

Rogalski stated we could put him on notice and say your time is up and we don't owe you any more money. That is a double edge sword. Without the incentive it helps us to develop the property. Vacant land doesn't do us any good. We need those properties developed. That is a policy decision that the authority will have to consider. To this date we have not put him on notice. We could but we haven't yet.

Nance asked does he think he doesn't get it. Do we need to have a conservation with him? We probably need to decide if we would still pay him and then let him know because of the date.

Fitch stated he knows the date and how much is left in the account.

Nance stated then he knows we are kind of on board. He understands that.

Denham asked is he even working it. Obviously with the virus I'm sure that changed things.

Rogalski stated there were some inquires last fall on the north corner. That corner is ours, but it didn't pan out. I haven't heard a lot. I believe he is back under Ted Warkentin. He tried Jason Wells, but I believe he went back to Ted. If you want to look at a bright spot in Dillard's closing it is possible some of those stores will decide to leave the mall and show up in this project. This helps us but doesn't help the community. We hope that Bricktown Brewery gets things going. With COVID who know what is going to happen to the economy. If the economy starts rolling, I think we will see that area develop again. If the FISTA project develops it will energize downtown. We have a lot of promise in the future but the questions is will the future develop fast enough based on our note payment projection. That is something every business owner must deal with. Is my income going to catch up to my optimism?

Fitch stated the employees at the public safety building is going to add to the downtown area as far as a possibility for lunch ad shopping. The FISTA will also help.

Denham stated I'm afraid we will have to write Collett a check for a restaurant that goes in that Mike Brown or somebody else brings in.

Fitch asked are there any questions on the financials.

Madigan stated let's go back to the matching funds from the state. Is that an absolute commitment from the state regardless of economic conditions for revenue. They will always pay that. Is that accurate. I was on a zoom call at Cameron yesterday and their matching funds are frozen, and they are not going to get them anymore.

Fitch stated I think it was, but I will have to confirm with Dan Batchelor.

Madigan stated could we just double check on that.

Fitch stated I will check and let you know. If you don't hear from me, you will know that we are locked in.

Madigan stated okay.

Fitch stated this project is based on receiving those funds and for the state to fall short would be a pretty negative impact.

Motion by Neal, **Second** by Denham, to accept the financials. **Aye**: Madigan; Means; Nance; Neal; Sheppard; Denham; Fitch; Fortenbaugh. **Nay**: None. **Motion Passed**.

4. Report on project activities, issues and programs including discussion and possible action on implementation and coordination.

Fitch stated the tax credit for the hotel has expired. They were looking at selling and did solicit quotes and decided not to sell. We are down the road from rebating the sales tax to the hotel operations. That was part of their incentive. It was ten (10) years or $2.5 million. I image in about two (2) years they will come back and ask to continue with that. In March the occupancy dropped to 10%. It has steadily increased. The STAR Report yesterday showed the occupancy was about 41%. It is getting better due to the military. Those are adjusted room rates of $85 to $90 a night. The revenue has slipped a little. It was upwards of $110 to $112 before all this happened. They are going to do $600,000 in renovations. They will put $150,000 in the lobby and dining area and another $500,000 to $600,000 over the course of three (3) years in remodeling the rooms. They are struggling but committed. I'm happy Sam Kumar is going to be running it. I hope we see a good improvement. A lot depends on Fort Sill and the economy. The hotel and entertainment industry really took a hit. I believe we will weather and get through this. We can activate the reserve fund to cover our note payment if necessary. We have to see the economy turn around and we can't shut down the country for any period of time. I believe congress understands this and will find a better way to handle the pandemic and operate within the guidelines. The closing of Dillard's is not good for this community. JC Penny's is closing 264 stores. They have closed 150 and ours was not one of those. That doesn't mean the second time around it will survive. I believe with them being the major tenant, as far as big box, it should be good for them. Things in the mall are looking slim. I know that Collett is working with some of them to see about occupying some of the places on 2nd Street. We will have to see how that goes. I believe you will see some more closing within the mall. The only commitment we can get is they are doing the best to work around the problems. We have to hope that it will work out.

EXECUTIVE SESSION

1. Pursuant to Section 307B3 and C10, Title 25, Oklahoma Statue, consider convening in executive session for the purposes of conferring on matters pertaining to economic development, including requests for development assistance, financing, and the sale and/or acquisition of property, and take appropriate action, if necessary, in open session.

The authority did not meet in Executive Session.

DISCUSSION ITEMS AND REPORTS

ADJOURNMENT

There being no further business the meeting adjourned at 2:50 p.m.

Motion by Denham, **Second** by Means, to adjourn. **Aye**: Madigan; Means; Nance; Neal; Sheppard; Denham; Fitch; Fortenbaugh. **Nay**: None. **Motion Passed**.