MINUTES
LAWTON ECONOMIC DEVELOPMENT AUTHORITY
MAYORS CONFERENCE ROOM
NEW CITY HALL
AUGUST 18, 2016, AT 2:00 P.M.

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

ROLL CALL:
PRESENT: Denham, David; Fitch, Fred; Madigan, David; Means, David; Nance, Ron; Neal, Larry; Sheppard, Ernie; Wells, Doug
ABSENT: Jackson, Keith.
OTHERS PRESENT: Scott Powers and Krystal Urbanski, Financial Services; Richard Rogalski, Planning Director; Denise Ezell, City Clerk's Office.

INTRODUCTION OF GUESTS

BUSINESS ITEMS

1. Approve the minutes of May 19, 2016.

Motion by Wells, **Second** by Means, to approve the minutes of May 19, 2016. **Aye**: Fitch; Madigan; Means; Nance; Neal; Sheppard; Wells; 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 none at this time.

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

Powers stated today we will cover the last 3 months. First is the summary of May through July and the individual months follow. Under hotel sales tax you have $21,850.49, property tax $102,603.84, and sales and use tax $96,951.78. Under expenses is the interest expense of $320,971.46, mowing and debris removal $3,300, professional fees of $7583.00, interest income of $904.77 for a net loss of $109,543.58.

Madigan asked is that a trend throughout the city for the taxes.

Sheppard asked why is it less than the year before.

Wells stated sales tax last month was down $170,000.

Sheppard asked what about property tax.

Wells stated Edwards hasn't raised the tax as he said he would.

Madigan stated there shouldn't be that much difference.

Sheppard stated it should be the same.

Powers stated it is inputted when we receive the report. If we receive it later than we did last year it will show later.

Madigan stated so you believe it will catch up.

Powers stated I'm sure it will. Finance Admin has all the trend numbers so we can look if you want.

Sheppard asked what about property tax. For it to be fewer properties it has to go off the books and that probably didn't happen.

Wells asked did we receive property tax for all of last year. Was 2nd Street open the entire year?

Fitch stated yes.

Wells stated so we didn't receive the property tax until this year.

Madigan stated it should line up with the prior year.

Wells stated we weren't getting that last year. We didn't start collecting property tax until January of this year. I don't know why it was so high last year.

Sheppard stated so you think this is last year and not this year.

Wells stated yes.

Powers stated I can look into this if you want to know the property tax for last year.

Wells stated I don't believe we received a full year until this year.

Sheppard asked do those numbers come from the County.

Powers stated yes.

Wells stated normally property tax is high in the first 2 or 3 months of the year. That property wasn't taxed in 2014 and we are just now getting the first full year.

Rogalski stated for 2016 we received $86,000. The sales tax for May through July 2015 is not correct.

Powers stated this is not the actual month. These reports are for March April and May.

Rogalski stated still there is $168,000 for the 3 months in front of you.

Powers asked which ones are you talking about.

Rogalski stated this looks like our sales tax is drastically down and it isn't.

Powers stated exactly.

Rogalski stated you are showing $96,000 for April, May and June.

Powers stated correct.

Rogalski stated April, May and June is actually less than that.

Powers stated I don't know what months those are from last year.

Denham asked were we collecting use tax in 2015.

Rogalski stated yes. I'm saying the sales tax collection isn't drastically down. It is about the same as last year.

Powers stated as I give a report May's income will show in August. It is a few months behind. If I get 2 months at the same time I put both months on the report. I haven't received July's number for this year.

Fitch asked have we done an analysis to see how the tax free weekend affects us.

Power stated no. I don't get those numbers but Finance Admin does.

Wells stated we got caught up last year on use tax and he is saying that is sales and use tax.

Rogalski stated this is sales and use tax. You see in October 2015 there was dip and it could have been from the tax free weekend. If you look at this page you see the sales tax is basically the same as last year. It is coming in within a couple thousand of the previous year. We are not seeing the growth we would like to see but we are not seeing a dip either.

Wells stated we should be seeing a little dip because the City was down the last 2 months about $300,000.

Nance asked over a 2 month period.

Wells stated yes.

Nance asked out of how much.

Wells stated we are usually $3,000,000. These numbers include 82nd Street and 2nd Street. We were about $110,000 short this month.

Neal stated the county, city and hotel/motel were all down.

Wells stated online purchasing is killing us.

Denham stated 9% sales tax will do that to you.

Wells stated they have passed a law where they have to report it this year. Companies have to report to OTC how much by individual and then OTC will compare that to their actual tax return.

Fitch stated I think they are going to notify the end user of their tax responsibilities.

Wells asked have we used the reserve to make our payment.

Rogalski stated no. We used about $209,000 of TIF I funds but no reserve.

Wells stated the payment goes up every 6 months for the next few years.

Rogalski stated every spring the payment is just interest and in the fall it is interest and principal. The principal will go up every year.

Powers stated if you look at May through July 2016 we have $96,951 and that is for March, April and May. Next to that you have May through July 2015 at $168. I don't know what months that is for. When I get the report for July in August the numbers get reported in August. By then I have presented July's financials. If I did it that way I would never have any income to report. When I get the report is when I report it to you. The $168 is multiple months and I don't know which months they are. I do know that May through July 2016 is March through May's numbers.

Fitch stated I think we need to be a little more precise.

Sheppard stated if he adds a column for the year or last 12 months that should level things out. Then we know for sure how the trend is going.

Denham stated another noticeable deal is the matching funds are zero. That is a difference of a half a million.

Rogalski stated you only receive matching funds twice a year.

Powers stated we should be receiving some soon.

Fitch stated it will be a nice chunk. We have filed for reimbursement and they are putting the report together for January through June.

Rogalski stated listed here is $330,000 for July through December of 2015. Now we are gathering the January through June 2016 and it is around $316 or $318. We are in the process of verifying those numbers.

Wells asked does the Center for Economic Development file that for us.

Fitch stated no.

Rogalski stated they help us with the numbers.

Wells stated I see we receive a bill every month and I was trying to figure out what we were paying them for.

Fitch stated they are doing other things.

Powers stated the matching funds are the same thing. The report hit this month last year and didn't this year. It is hard to look at months at a time because we put the numbers in as we get the report.

Rogalski stated we need the funds by next March to make the payment. I have a spreadsheet with every dollar and I could create graphs anytime you want.

Powers stated let's move to the balance sheet. The TIF Apport 33B account has $196,645.32, bond principal account has $1,000.77, economic development fund has $141,126.46, BIC TIF I has $538,346.48 and IBC TIF II has $854,125.50. Under current assets the hotel sales tax receivable is $15,042.91 and sales and use tax receivable is $61,701.78. The accrued interest payable is $521,079.76 and the next payment is in September. The BancFirst LOC is $27,799,503.78.

Wells asked how much do we owe to CCIDA.

Fitch stated $1.5 million and we are current on the interest payment.

Wells asked have we paid anything against the principal.

Fitch stated no. We are not required to pay against the principal until next summer but if the funds are there I believe we need to nip away at it.

Wells stated the more we pay on the principal the less interest we will pay. On these May through July figures wasn't last year the first year and we were catching up for the year before.

Fitch asked the matching money.

Wells stated matching and sales tax.

Fitch stated I don't know about the sales tax but we were having troubles with the matching funds. We did have some problems but we are caught up now.

Wells stated I think that is why the number was so large last year. We were catching up on the use tax.

Fitch asked did Dollar Tree get worked out.

Rogalski stated yes. They are required contractually to report individually anything within the development.

Fitch stated Dollar Tree was just reporting for the entire city and not separately.

Powers stated Finance Admin was working on that.

Fitch stated it is in the development and lease agreement with Collett.

Denham asked so Collett does manage the outparcels.

Fitch stated yes.

Powers asked does that help everyone. In accounting you go for accrual. If I receive July's in September I would have to back date it and then you would never see it. We do cash basis on collections.

Fitch stated when we go from April to August without a meeting there probably needs to be more explanation.

Wells asked do you get a monthly statement.

Powers stated yes. When it is entered into QuickBooks we date it for the day we receive the report.

Wells stated forget the date. Do you do a monthly balancing of the books?

Powers stated yes.

Wells stated if we don't have a meeting and you send the P & L's to Ezell so she can forward them to us. Then we would see the monthly report.

Powers stated we can do that. The only problem is there still wouldn't be an explanation of what they are.

Wells stated if it is done monthly we would understand it is a cash basis accounting and it would be the money you got that month.

Powers stated correct. It is more of a modified accrual. When we receive a report we report it and we may get the money the next month.

Fitch stated and you are not reporting it until you see it.

Powers stated we report it when we receive the report. If I get May's in August I report May's in August. Then I accrue it on the balance sheet under a receivable. When I receive the money it comes off the balance sheet.

Fitch stated the deal I signed today was for $41,000.

Powers stated I'm guessing that is June's and it will show in August.

Rogalski stated I can print from the beginning to now or just the last 12 months of collections.

Wells stated the P & L is a better financial document. I don't care about what you have accrued but what is the actual cash accounting.

Denham asked it is what you have right here. Is that correct for May June and July.

Powers stated exactly.

Wells stated that is cash. He said a while ago when he gets notified in May he books it as an account receivable. Then when he gets the money it zero's out and goes to cash on hand. Do you want it reported when he knows he is going to get it as a receivable or when it actually is cash on hand? Cash accounting is basically what they are using.

Powers stated we are using accrual. If I receive May's in June I report it in June. At that point it is at the income statement and placed on the balance sheet to receive. Once it is received it comes off the balance sheet.

Wells stated if we receive a monthly P & L that shows it received then we have something that is month to month.

Powers stated correct. I think what is throwing you off is seeing the $168. I wish I knew what months that was for.

Wells stated it is not only the months.

Fitch stated this is different than what most business people are accustom to.

Wells stated the city doesn't work that way. The city is strictly cash accrual.

Fitch stated so they don't say they have anything until the money is in the bank.

Powers stated I believe Mitchell started the accruing.

Wells stated this needs to correspond with the city books.

Powers stated I believe the city does accrual also.

Wells stated they don't accrue the sales tax. It doesn't show until we have received the funds.

Power stated I'm not sure. As far as this goes I believe Mitchell started accruals. Part of it was because the interest was a big expense and you would accrue it throughout the year.

Rogalski stated the $168 number is February of 2015 through June 2015.

Powers stated it has 2 extra months.

Sheppard asked June and not July.

Rogalski stated correct. We probably won't see July until the end of next month.

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

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

Rogalski stated there isn't a lot of new. The parcel north of Dearborn has been approved but I haven't seen much movement. There are real improvements going on. They have split it into 2 lots and the south lot has a $90,000 bond so they are going to build something.

Fitch stated after visiting with Collett he is in the process of getting one finalized. The fast food has gone away. They are still working on the north track/big box. Rogalski will you explain the Retail Coach.

Rogalski stated Retail Coach sent us a list of 32 prospects they felt would fit Lawton. The only duplicate was 5 Guys Burgers. They have got some feedback with one being very interested but it is a matter of working out their distribution. They believe Lawton will be a great fit. We had another visit last week so we are seeing movement. I feel we will see some good movement.

5. Consider approving a retainer agreement for professional services between LEDA and The Garrett Group, LLC.

Fitch stated Mark Garrett is one of our consultants for PSO. We will probably need his services through November. The hearing is set for November 8th. This also applies to Item 7 and Allen McCall. We are using McCall to get a judges view and feelings. We are trying to get as much expertise as possible. I would ask that you approve the retainer agreement for both.

Motion by Denham, **Second** by Means, to approve the retainer agreement for professional services between LEDA and The Garrett Group, LLC**.** **Aye**: Madigan; Means; Nance; Neal; Sheppard; Wells; Denham; Fitch. **Nay**: None. **Motion Passed**.

Fitch stated let's move to item 7. I need a motion on this item.

7. Consider approving a retainer agreement for professional services between LEDA and C. Allen McCall.

Motion by Denham, **Second** by Means, to approve the retainer agreement for professional services between LEDA and C. Allen McCall**.** **Aye**: Means; Nance; Neal; Sheppard; Wells; Denham; Fitch; Madigan. **Nay**: None. **Motion Passed**.

6. Consider approving a retainer agreement for professional services between LEDA and the Center For Economic Development Law.

Fitch stated the obligations of money to them are getting smaller and smaller but we still need to keep them on retainer.

Motion by Wells, **Second** by Nance, to approve the retainer agreement for professional services between LEDA and the Center for Economic Development Law**.** **Aye**: Nance; Neal; Sheppard; Wells; Denham; Fitch; Madigan; Means. **Nay**: None. **Motion Passed**.

8. Consider approving a professional services agreement with the Lawton Fort Sill Chamber of Commerce for Tourism, Convention, Economic and Industrial development services for the fiscal year 2016-2017.

Rogalski stated this agreement is between the City of Lawton and the Lawton Fort Sill Chamber. It governs how the funds are suppose to be spent and how they report their spending. They are suppose to report to LEDA as well as the city.

Wells stated we visited the Oklahoma City Chamber and looked at some of their required reports. We developed a similar reporting system. They give us projections on what they expect to do and then show us how they are meeting those projections. We expect to see those improve every year. There is another column that shows the numbers they have actually hit. If they are projecting to do 1500 hotel room it shows a monthly breakdown of where they are towards their goal.

Rogalski stated this is a very detailed agreement.

Fitch stated doesn't it have something to do with the Economic Development Reserve fund also.

Rogalski stated a certain amount of hotel tax goes into the Economic Development fund but the Chamber agreement is based on a certain amount and it is use or lose.

Fitch asked what is the reserve balance.

Rogalski stated I'm not certain.

Wells stated it was $600,000 last year so it should be higher now.

Sheppard asked is there a remedy in the agreement if they don't perform as expected that the agreement defaults.

Wells stated we can give a 30 day notice and cancel it.

Sheppard asked have we been pleased to this point.

Wells stated I think so. They are showing good numbers based on the economics right now. We are probably doing the best we can.

Sheppard asked did Barry leaving cause any problems or ripples.

Fitch stated no. LEDC is talking with Dr. Tom Thomas to do an interim capacity. Instead of hiring a headhunter he will put together all the stuff to do the interviews.

Wells stated they just hired a new Convention Director so hopefully things will pickup.

Neal stated the Apache Convention Center will be another source.

Fitch stated the hotel, restaurant and convention center are all on fee land. We are to receive sales tax and it is to be collected. When we audited the hotel they were not paying sales tax on the rooms that had been comped. We also found during the audit that the Casino was reimbursing the hotel for the rooms. They are responsible for taxes on those rooms. Their statement to us was they were a solvent nation so sue us. The way the ballot was written it wasn't strict enough so the ballot that went into effect the first of May is stricter. We will audit them again to see if they are paying all the taxes.

Wells stated they were paying some.

Fitch stated not all of it.

Denham stated even with traditional hotels if rates are discounted or given away you still pay taxes.

Neal stated I believe they have been making contact with the different events that has been held at the Hilton trying to get them to move to their location.

Fitch stated Fort Sill won't be utilizing them because it is off limits to the solders.

Wells asked does the city own the convention center.

Fitch stated no. It is owned by the hotel group. The money from CCIDA was put into the convention center and not the hotel.

Denham stated they have less than 8 years on that sales tax. Will we renew it at the end of 10 years or renegotiate.

Fitch stated probably.

Motion by Denham, **Second** by Neal, to approve the retainer agreement with the Lawton Fort Sill Chamber of Commerce for Tourism, Convention, Economic and Industrial development services for the fiscal year 2016-2017. **Aye**: Neal; Sheppard; Wells; Denham; Fitch; Madigan; Means Nance. **Nay**: None. **Motion Passed**.

DISCUSSION ITEMS AND REPORTS

ADJOURNMENT

There being no further business the meeting adjourned at 3:00 p.m.

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