



MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY

Meeting Minutes

June 19, 2012

Present: John Moncure (Chair), Rita Armstrong (Treasurer), Steve Weems (Secretary), Dan Daggett, John Dorrer, John Shattuck, and Sande Updegraph

Excused: Don Hudson, Sally DelGreco, George Gervais, and Lois Skillings

Staff: Steven Levesque, Jeffrey Jordan, Michael Russo, and Kathy Paradis

Location: Building #27, 8 Venture St., Brunswick Landing

Time: 4:00 pm

Welcome & Introductions. Board Chair Moncure welcomed the public to the Special Board meeting, which was called to review the audit and proposed budget. He said he was impressed with the data and materials received in advance of the meeting, and thanked the members of the Finance Committee, as well as MRRA's Deputy Director, Jeffrey Jordan, and Bookkeeper, Michael Russo, for their hard work.

Audit of Financial Statements – December 31, 2011. Executive Director Steve Levesque introduced Mike Dunn from the auditing firm of MacDonald Page & Co., LLC to give an overview of the audit that they performed. Mr. Dunn said he was engaged this year to do an independent audit of the financial statements as of December 31, 2011, which were found to be in order in all material respects and issued an unqualified (clean audit) opinion on them. A Single Audit Act review was also performed and found to be in compliance with the standards applicable to financial audits contained in Government Auditing Standards and OMB circular A-133. Mr. Dunn noted that MRRA spent \$1.4M in federal grant funds, mostly from the Department of Defense. Based on the single audit, there were no deficiencies in internal controls.

Mr. Dunn noted that the audit was done in a two year comparative format.

Mr. Dunn said that these financials will be combined with the State of Maine financials because MRRA is a component of the State.

Mr. Dunn remarked that MRRA went through significant changes during the audited period. He said that MRRA significantly increased its assets via Navy transfers during the period, not only by receiving personal property but receiving over 900 acres of land with facilities. MRRA also received all utilities at Brunswick Landing and Topsham Commerce Park. The property was transferred to MRRA from the Navy through Public Benefit Conveyances and Economic Development Conveyances. Along with the transfer of assets was a \$3M ten year note payable to the Navy that begins to amortize on October 1, 2014 with a balloon payment in 2023 of \$1.65M, provided all the EDC property is transferred by October 1, 2014. Because MRRA had taken on a property management role and had approximately 10 tenants during the period, there were rental activities in the revenues. Overall, MRRA increased its capital assets, net of debt by 55,193.7% (\$128.6M) during 2011.

In December, MRRA created four component units. One component unit, Brunswick Landing MHC USA, LLC partnered in a \$14.265M financing package to construct the 79,600 square foot medical device manufacturing facility for Mölnlycke Health Care USA. On December 31, 2011, the restricted construction account, which is included as part of the restricted cash, had a balance of \$13.018M for this project. Liabilities for this project at year end included two loans of \$10,319,583 and \$32,945,417 from CCM Community Development XXII LLC. MRRA's current liabilities increased by 510% (\$1.6M) during 2011.

As of December 31, 2011 and 2010, approximately 60% and 81%, respectively, of MRRA's funding was provided by federal and state capital and operating grants. Most revenue sources are used to make infrastructure and facility improvements and to have studies done.

Mr. Dunn emphasized the importance of understanding depreciation. Whenever MRRA acquires assets it is required to treat them as a capital asset. Capital assets consist of land and land improvements, buildings and building improvements, machinery and equipment, office equipment, vehicles, and infrastructure for electrical, water and sewer, and streets and roads. Purchased capital assets are reported at cost and updated for additions and retirements during the year. Fixed assets that are contributed to MRRA are recorded at their estimated fair market value at the date of contribution. MRRA maintains a capitalization threshold of \$5,000. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are charged against income as incurred. The

capital assets are depreciated using the straight-line method over the assets' estimated useful lives. Last year the total capital assets were \$133,275,000, less \$1,671,836 accumulated depreciation, for net capital assets of \$131,603,164.

The cash flow statement demonstrates that MRRA is basically operating as budgeted. The net result is currently MRRA has significant equity in the budget.

Chair Moncure asked the Board if they had questions and Steve Weems asked how fair market value is determined regarding assets. Mr. Dunn responded that MRRA received cost information from the Navy, factored the year asset was purchased, and figured out what the depreciation would be.

- **Action Item:** Rita Armstrong made a motion that the MRRA Board of Trustees accept the audit of financial statements by MacDonald Page ending December 31, 2011, as recommended by the Finance Committee, which was seconded by Sande Updegraph. The vote was unanimous of the Board members present.

Steve Levesque thanked Mr. Dunn for his hard work in preparing the audit.

Amendment of Appropriation of Funds from AMH Sale to include \$19,250 to Reimburse Bath, Harpswell and Topsham for Donations for Business Attraction. Executive Director Steve Levesque said that back in 2009, MRRA sent out letters requesting funding to help with its business attraction efforts since the Department of Defense (Office of Economic Adjustment) does not fund business attraction efforts. The State of Maine gave us money, as well as the City of Bath, Town of Harpswell and Topsham Development, Inc. Steve said that staff is proposing to return the donated money to the towns with 10% additional payment, as a gesture of goodwill, through the appropriation of funds received from the Affordable Midcoast Housing sale. Consequently, the current budget will need to be amended to effect the change.

Chair Moncure called for questions or discussion of the Board. Sande Updegraph asked if the towns expected the return of the money; John Shaddock said that Topsham Development, Inc. did not expect the return and was very pleased. Daniel Daggett suggested that Steve Levesque might want to go to the towns and personally return the money. John Dorrer felt that MRRA should hold on to any money it has to invest in marketing.

- **Action Item:** Rita Armstrong made a motion that the MRRA Board of Trustees approve the amendment to the appropriation of funds from the Affordable Midcoast Housing sale to include \$19,250 to reimburse the municipalities of Bath, Harpswell and Topsham for the seed-money

donations made to MRRA for business attraction, which was seconded by Steve Weems. The vote was unanimous of the Board members present with the exception of John Shattuck who abstained.

FY2013 Budget. Rita said she wanted to recognize and thank Deputy Director Jeffrey Jordan for the level of detail and supporting documentation in the proposed budget. She said that the FY2013 budget is very conservative, and that the five year projected budget has variables because actual data in some instances is unknown.

Jeffrey Jordan thanked Rita and the Finance Committee for attending the long committee meetings and for all of their hard work, and then presented a PowerPoint on the proposed FY2013 budget containing, among other things, detailed information for the following:

| | <u>Proposed FY13 Budget</u> |
|-------------------------------|-----------------------------|
| MRRA Operating Budget | \$1,090,015 |
| Brunswick Executive Airport | \$809,330 |
| FY2013 OEA Budget | \$1,387,670 |
| Great State of Maine Air Show | \$747,500 |
| Electric Utility | \$950,000 |
| Water Utility | \$150,000 |
| Stormwater and Sewer Utility | <u>\$500,000</u> |
| Total: | <u>\$5,634,516</u> |

After the presentation, Chair Moncure called for questions or discussion of the Board. Dan Daggett asked a question regarding the remaining balance in the sinking fund of \$520,888 from the Schott housing sale. Jeffrey Jordan said that the \$520,888 figure is the total sum of \$59,846 for the water budget, and \$461,042 for the sewer budget. Therefore, the available land sale money going into FY2013 (\$1,228,632) less the \$520,888 equals \$707,744. At the end of three years that figure would be \$1.25M; however, Jeffrey reminded the Board that the budget is very conservative, and this would be a worst case scenario.

Steve Weems asked what constituted a base year for OEA funding, and what issues might be around that assumption. Jeffrey Jordan said that OEA looks for a substantial amount of property transferred, which they want to phase out. For budget purposes, it was handled somewhat conservatively – 2014 will be the base year. Currently, the formula starts at 75% of base year, followed by 50% of base year, and then 25% of base year. The base year depends on an interpretation by the Navy. There are still key properties that MRRA will not see until 2015 or 2016.

Jeffrey Jordan also noted that there is no land sales assumed in the financial projections or buildings (except Mölnlycke). Rita Armstrong said the most speculative part of the projections is lease revenues.

Dan Daggatt asked if there are any plans to replace or repair sewer system. Jeffrey Jordan said that MRRA is investing \$150,000 in a sewer separation/replacement project from sale of the Affordable Mid Coast Housing property to leverage a \$500,000 EDA loan. MRRA is also waiting for the next iteration of the Wright Pierce sewer study to identify priority areas so we can minimize spending money for the maximum return for the inflow and infiltration system.

Sande Updegraph asked if there is any movement with Central Maine Power (CMP) on a rate reduction for MRRA. Steve Levesque said that the Navy was operating at the sub-transmission rate. CMP, for various legal reasons, said they cannot do the sub-transmission rate for MRRA, but they can give MRRA a discount. Staff has evaluated the various discounts versus the cost of going to PUC. MRRA can deliver to its tenants about .08 cents per kilowatt versus .12 cents. The Utilities, Energy and Environmental Committee will be making a recommendation to the Board for one of the discounts that CMP offered.

Steve Weems asked about the Military Airport Program and learned that the grant period is for five years, up to \$35M, and the FAA continues with MRRA until it is made into a civilian airport, after which a maintenance period begins in which the airport gets \$150,000 a year. If the airport needs to make a major investment after the initial five year period, it will have to compete with other airports.

- **Action Item:** Rita Armstrong made a motion that the MRRA Board adopt the FY2013 MRRA Budget, as recommended by the Finance Committee, which was seconded by Steve Weems. The vote was unanimous of the Board members present.

Other Business.

Dan Daggett noted that the Marine's flew Ospreys into BXM last week on a training flight. Steve Levesque noted that FlightLevel (MRRA's fixed base operator) is in the process of getting a military fuel contract. Steve also noted that there has been a great deal of corporate aircraft and Bowdoin-related jet traffic.

Rita Armstrong noted that because the Finance Committee and the Board meetings are so close together, it may be worthwhile to move the Board meeting to a later date in the month. Steve said that he would send out an e-mail and poll the Board members for a new date.

Steve Levesque noted that the July 3 Executive Committee meeting was postponed to July 10 at 7:30 a.m.

Executive Session: At 5:37 p.m. Dan Daggatt made a motion to go into executive session to discuss property matters pursuant to 1 MRSA Section 405(6)(C), which was seconded by Rita Armstrong. The vote was unanimous of the Board members present. At 6:00 p.m. Steve Weems made a motion to adjourn from the Executive Session and resume the Board meeting.

Adjournment: A motion was made by Rita Armstrong at 6:05 p.m. to adjourn from the Board meeting, which was seconded by John Shattuck. The vote was unanimous of the Board members present.

Steve Weems, Secretary

ATTENDEES OF JUNE 19, 2012 MRRA MEETING

| Name | Company/Organization/Residency |
|---------------|---------------------------------------|
| Brian Whitney | Senator Snowe's Office |
| Alec Porteous | Senator Collins' Office |
| Michael Braun | Navy, CSO |