

ALLEN COUNTY COUNCIL MEETING MINUTES
NOVEMBER 1, 2011
8:30 AM

The Allen County Council met on Tuesday, November 1, 2011 at 8:30 am in the Discussion Room at Citizens Square. The purpose of the meeting was for the discussion of Tax Abatements.

Attending: Bob A. Armstrong, Larry L. Brown, Roy A. Buskirk, Tom A. Harris, Paul Moss and Darren E. Vogt

Also Attending: Tera Klutz, Auditor; Nick Jordan, Chief Deputy Auditor and Becky Butler, Administrative Assistant.

Darren Vogt: Good morning and welcome to the Allen County Council meeting. We will dispense with the formalities in lieu of a discussion-type meeting. With that, the order of the meeting today will be, Mr. Lewandowski asked to present information to us. We will start with him giving his presentation and then we will move through our Tax Abatement Questionnaire. I know Councilman Brown had some questions regarding our forms and we will go through those with Nikki. I know we all have a busy day today with meetings and we have another meeting scheduled at 10:30 today. We will move through this as quickly as possible. With that, Mr. Lewandowski, please come on up.

Tom Lewandowski: I am Tom Lewandowski, President of the Northeast Indiana Central Labor Council.

Cheryl Hitzemann: Cheryl Hitzemann with the Central Labor Council and the Workers Project.

Tom Lewandowski: Back on September 20th, we came to a regular Council meeting with a request to have an informal discussion about economic development and the research that we have done on tax abatements because that is the most visible part of economic development. We have been representing unemployed and anxiously employed workers and have created an initiative. For the last three years, that has been our mission, to represent those folks that have a lot of skin in the game when it comes to economic development and job creation. Our goal has been to do this in a way where politics don't get in the way of representation and to minimize the political theater and to try to come up with solutions. This is too darned serious. We have too many people hurting. As we remind ourselves, we are representing people whose families are sleeping in the back seat of their cars at Franke Park because everything failed. Just like you did at your September meeting,

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you put the unemployment rate at the top of your agenda, our job is to find ways to give them voice and access. We often say that we are angry and frustrated but we refuse to be estranged from the process. We have to find ways to make it work. So how we find out how to represent is we have done surveys. These are surveys that we have designed with sociologists from Rutgers University, IPFW and commercial sociologists and market researchers. The packet that you got, I see some of you have our fancy color printing, with the pie charts and all of that. When it comes to economic development, one of the strong messages is about 87% of the people that we surveyed said that the government ought to be involved in economic development. When we asked how effective they thought it was at the local level, it went down to 17%. The national level is a little higher because people probably thought it must be working somewhere but it isn't working here. That is sort of our guess. Between that 17% and the 87% is a lot of folks that know we have to do better. I think everybody that has wrestled with this problem of economic development has had questions and issues. We want to bring all of those issues and perspectives together because we've got to find ways to make it work. Another part, as you look through the packet, we have been working on this for several years and in very many places. Having been a City Councilman in New Haven, one Elected Official can't do it all. It needs to be a concerted effort from a lot of different directions. In your packet, you probably saw the DVD. Early last year, WTHR down in Indianapolis, did a series on Indiana Economic Development which used to be the Indiana Department of Commerce. Comparing job claims to job realization and after they did the first of the series, we met with them and started working with them. It ended up being a thirteen-part series. I think there are four clips in there that we thought were most pertinent. It is calling into question the whole issue of how economic development is done and how it fails to deliver. It is not unique to the State of Indiana. The series won four national awards, Investigative Reports, Dupont Columbia University, Peabody and the Edward R. Murrow Award. If you get a chance to look at that, you will see some of the general issues. Also, IEDC, we have gone down to four or five meetings. They have quarterly meetings in Indianapolis, Scottsburg or wherever, we go to those. Workforce investment boards, here locally and at the State level, we have been involved with them. We went down to the Indiana Legislative Study Committee on Economic Development in August and late September. We presented some information, again from any one perch you can only do so much. We presented some of the things that we think would be useful for the State to do to give County and City Councils an opportunity to do a better job of auditing the effectiveness of tax abatements. I will talk about that in a minute. Along the way, we also ran across a Professor at Ohio State who presented to the Legislative Committee and I thought he had a really interesting perspective and we put in your packet. It says a lot of the things that we have discovered but he puts it in academic

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language that we don't use too much. Also, we have been doing tax abatement audits. In January, we started going to City Council and presenting some of our preliminary findings and then going back two more times. As I mentioned earlier, we wanted to try to avoid political circus and we have decided to not return there until after November 8th. Maybe then we can focus on policy rather than politics. I have talked to Council President Mitch Harper to that affect. Having said that and looking at the array of things, and I know that Tera has put up with us coming to your office over the past couple of years and occasionally harassing you, this is something that we are very serious about. We want to make sure that we focus on coming up with a better economy that works for more people. We say we want to find out what works and do more of that and find out what doesn't work and do less of that. That is our goal in this. In your packet is a sheet of five questions. They are very simple questions and very difficult answers. When we talk about this, first, how do you define economic development? That is really a group process. It is what a community does. How do you measure it? That was one of our key questions. We want to find ways to measure it and that is what we have tried to audit. That is the one place that we focused on as a starting point for a broader discussion. We believe that workers and the labor movement in general have been lax in their responsibilities. We think that for an economy to work, you have to have dynamic tension just like we learned in grade school about the three branches of government and that dynamic balance among the three. We think that workers haven't exerted their responsibility. Part of that are the structural problems in the labor movement but our goal is to address and represent folks. We have gone through the audit process in 2005. Cheryl, I will let you talk about some of the details, who you worked with and how you came to these observations.

Cheryl Hitzemann: Cheryl Hitzemann and my first foray into County taxes was in 2002. I was attending IPFW and was taking a government budget class and you had to have a research paper. I looked at the policy, at that time, and visited with Mark Royse. I learned a lot of things then and as Tom says, we don't stick with something that we should. I saw some things that concerned me and I should have stuck with it but life intervenes. When we started looking at the whole issue of tax abatements, it was something where I had a little bit of background. It was like "Cheryl, take care of this." What we did for both the City and the County, we started with the year 2005 and pulled the files and made copies of the files for tax abatements that were approved in 2005. The file also includes the annual reports. What you have in your packet was a spreadsheet that I developed that listed the thirteen tax abatements that were approved by County Council in 2005. Twelve of them proceeded and one, it appeared, didn't continue. In order to do the spreadsheet, I first created this worksheet which was also in your packet. It

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was in order to track what the company said they were going to do and then what their reports, each year, showed. The information that was on the worksheet was then put into the spreadsheet. I didn't see what I expected to see because just the information was lacking. I expected to see information that I actually could determine something from. Because of the lack of definitions, which we have already talked to State Officials about, there is confusion among the companies in filing the reports. What is a job? For your purposes, do you want to know part-time employees? If so, the reporting form should break out part-time employees. Temporary employees, which we know from a lot of anecdotal information that we have, a lot of companies are hiring them for two years or more. They are not getting the pay or the benefits that you all thought they would be getting when you approved the tax abatement. In some cases, it seems to include officers and should they be included. Contract workers, again maybe it is good to know that information but maybe it needs to be broken out in some way so that you can measure the impact of the tax abatement that you approved. Payroll figures are the same problem. We couldn't tell if it included bonuses, did it include benefits or overtime. In some cases it appeared that the pay was for a partial year rather than being annualized. Some figures appeared to be made up. I only say that because it is like even to the \$100,000. It just looked kind of odd. In at least four of the cases, if you took the created number of jobs and divided that into the created payroll, the average wage was less than minimum wage. I don't think those companies are paying less than minimum wage but something is wrong with the figures. Actually, in 92% of these tax abatements there was at least one year where things looked questionable. It made it hard to determine whether or not they achieved what they said they would and made it difficult for us to determine whether or not that particular tax abatement was effective.

Paul Moss: You were talking about 2005, which ones did you believe were effective and which ones were not?

Cheryl Hitzemann: No, based on the information. When 92% of them have figures that don't seem to track, with like for instance, that there is a relationship with the created payroll and the created number of employees. It appeared that some companies didn't understand that there is a relationship and it should have some meaning. Maybe it is just that I don't know what the hell I am doing. The instructions are so limited and the form is so limited. Like I said, you mostly look at creating full-time jobs. If these are part-time jobs, would you have to say it is in-effective? I don't know.

Paul Moss: Are you indicating that one of the weaknesses in the process is that we don't gather enough information?

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Cheryl Hitzemann: Yeah, yeah. In fact, looking at the form that you are creating for the Super Abatement, I see that there is a change in the application form and that is good but if there is no change in the annual reporting form, I am not sure you are going to get the information that you need.

Paul Moss: If we have more information, and you would have to give an answer based on your own intuition, do you think the pendulum would go one way or the other and we would be approving more abatements or less abatements? Do you have any thoughts on that?

Cheryl Hitzemann: What I would hope it would lead you to is which types of things are working and which types of things aren't working. From my own perspective, I went into it thinking small business is where the growth is and is that not where we are going to see that it was most effective to spend the money. I can't tell that from the information that is here.

Tom Lewandowski: This has been sort of a shotgun approach and we would like to bring a rifle to it and target those that really make a difference. As workers, we are also taxpayers and we want to see it work on a couple of levels. When we look at some of the Fort Wayne tax abatements, we saw some things that left us shaking our heads. From the sixteen years I was on New Haven's Council, I saw some that worked. You feel real good about those. The anecdotes that we have gotten of places hiring part-time temps as minimum wage and counting them in their employment figures or another place, if you take the created jobs by the payroll, they were paying \$160,000 per job. Based on the pay stubs that we saw, that wasn't reflected in their pay stubs. Let me tell you a little bit about the process. We have ten or so folks that have been going through the documentary, the compliance forms, looking through that or copying forms. We ask people in general, do you know anyone who works at this company? Can you tell us about the wages? Does your spouse work there and could we see a check stub? We can check that as a way of verifying a pay rate at that place. We have two types of auditing that we are doing. It is really difficult to be certain with what we are finding without sharper information.

Roy Buskirk: One big difference between the County and the City comes down to the retail establishments. The city approves tax abatements for retail and the County does not.

Cheryl Hitzemann: Didn't see a lot of that. I know that you are talking about Subway and McDonald's because of some changes.

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Roy Buskirk: The big chain stores also like Lowe's and Menards. That is one area that you see more part-time. The County stays, more or less, with manufacturing.

Tom Lewandowski: We know that each Council can set their own framework for expectations on benefits and realization. We know that some of the stuff that we have seen in the City of Fort Wayne is some clear differences from what the County does.

Cheryl Hitzemann: For some of the funds that the State administers, they have told us that they require W-2's to be submitted with reports. It may be that part of that would have to do with another thing that we have learned in this process. That is that some companies will hire for the report. They know that they have a report due and they want to make sure that the numbers are where they need to be. They will hire temps or somebody else and lay them off a month or two later so that they have the number they need for the report. If everybody knew that this needed to be an annualized number and had to provide some kind of proof, whether it be check stubs or W-2's or even Workforce Development Payroll Reports. It could have Social Security numbers redacted but some kind of indication of something going on.

Darren Vogt: Councilman Moss, can you hang on a minute? These two have been chomping at the bit. You can't see them because you are looking that way but we are going to go a little formal for a while. First we will have Councilman Brown and then Councilman Harris and then back to you.

Larry Brown: One of the pieces of information was your spreadsheet. In going through that, the attachment to the back of your spreadsheet included the data that you compiled for Abatement AC9 and AC11. Was there any particular reason that you singled those two out or was there more information that I didn't receive?

Cheryl Hitzemann: They helped represent the problem I was seeing in the numbers. If you see the wide variation in AC9, one year the average wage was \$38,000 and another year it was \$12,000. On AC11, the really odd thing there is that it is the exact same report for the two years that they reported. It is like someone in Accounting got lazy and didn't gather the information or they were up against the May 15th deadline and threw something together figuring if they got a call on it, they could amend it.

Larry Brown: Okay. Then, just for clarification, the CF-1 and the SB-1 use the term "additional employees" and am I correct when I assume that your term "created" is the same as "additional"?

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Cheryl Hitzemann: Yeah, yeah.

Darren Vogt: Councilman Harris.

Tom Harris: The challenge on this process or any process is a standard of excellence. I am all for constantly looking at any of our processes and improving those processes. Obviously this process can be improved. Where else have you looked in terms of benchmarking across the country in terms of how we compare with other places, other communities, other States and other Counties? Have you done that and how do we compare with those places?

Tom Lewandowski: We've looked, in generalized terms, talked with folks in other parts of the country and what we see is not a real difference. It seems to be a matter of flavors. There is still not enough accountability on the creation part. One of the things that personally irritates me is to see how much money is spent on public relations around this and how little is spent on the audit. The front end is well financed. That is one of the things we first saw with the IEDC when we looked at their employee numbers. They had four people working in public relations and no one in auditing. We think that is a fairly consistent model around the country. I don't know that anyone has cornered the wisdom on this.

Tom Harris: One of the challenges on this is that it is a moving target. If one might imply that companies are falsifying or inflating their numbers by coming in and saying that they are going to create 1,000 jobs instead of 500, I think that is the wrong premise. I don't know that a company will just sit down and write those numbers down. I have done some of these forms on that side of business and it takes a lot for you to write that number down. To falsify or say that we are going to create X amount of jobs when we don't intend to, that is a big statement. I don't think companies do that. The challenge is that it is a moving target. Companies come in with the best of intentions and saying that they want to create 500 jobs and if everything that I do goes the way that I plan it to, I am going to create 500 jobs. They didn't know that the economy was going to tank in six months or some change in industry shifts in six or nine months and derails their plans. Or Corporate, far, far away makes a decision all of a sudden. That is the challenge.

Tom Lewandowski: Absolutely.

Tom Harris: I think it is dangerous to imply that there is some kind of thing being done wrong. Are you saying that?

Tom Lewandowski: No, no, no. We are looking at a whole culture. In the video, if you have had a chance to look at it, there is the example of the place

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down in Union City. They were thinking that they would create 400 to 500 jobs and then when they finally made their report, it was going to be 100. The public relations people at IEDC had already gotten hold of the other number and went with that. Where the company had made it clear in their statements that they thought the best guess was 100 folks and that is what we are sticking with. It seems that what we are fighting against is this culture of hopefulness when what we need is some realistic business sense about the investment of the common wealth.

Darren Vogt: Councilman Brown had a follow-up to that and then we are going to Councilman Moss.

Larry Brown: Tom, to follow-up on your comment, it seems to me that I would not be so bold as to say that companies are intentionally falsifying their documents. I know that there are going to be exceptions to that but I would rather say that we don't have clear definitions of terminology. The CF-1 and the SB-1 are the forms that are used and it is undefined.

Tom Harris: Do we create those forms?

Larry Brown: No, no.

Tom Harris: Or does the State create those forms?

Larry Brown: Yes.

Tom Harris: An initial quick question, if I can slide that in, have you talked to the State?

Tom Lewandowski: Yes. We went down to the State Legislative hearing on Economic Development Interim Study Committee. We presented four suggestions to them and not surprisingly, they punted back to local officials to make those definitions. Anticipating that, we are going at both ends of this.

Tera Klutz: Can you send us that correspondence?

Tom Lewandowski: We have it here and this is what we presented to them.

Tera Klutz: Do we have a copy of this? Oh, yes we do.

Cheryl Hitzemann: Yes, it just is not blue.

Tera Klutz: They punted back, you said?

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Cheryl Hitzemann: They wanted to leave as much latitude as possible for Elected Officials or for local Officials.

Tera Klutz: Do you have that documentation?

Tom Lewandowski: That was in the discussion on the video.

Tera Klutz: That is the only thing I didn't get to.

Tom Lewandowski: We didn't have a copy of that. Senator Hershman, I think it was, made that comment and we anticipated that. We need them to at least discuss this and know that if they are going to punt it back to you, they've got to make that clear. Right now, in this fuzzy area, it ends up that there is no definition. The public relations people make the definition.

Cheryl Hitzemann: I will say that you do ask for more detailed information when you are approving a tax abatement because you have a County form that has the types of jobs that are going to be created and the ranges. That is used for the rating that is used to determine how long the abatement will be. It wouldn't be that much of a step to go ahead and develop a reporting form that requires additional information above and beyond what is on the SB-1 or I'm sorry, the CF-1.

Tom Lewandowski: What we have seen in this whole process is that there are so many players and no one person can fix it and everyone is a little bit responsible. We need for everybody to take a step forward if we are going to make it better. That is why we went to the State Legislative Committee. If they start talking about defining what is a job and what is payroll and make sure that there are some kind of instructions and some way of verifying so that it is just not unverified self-reporting. If those four things happened then it is a signal to local governments that you can tweak this too.

Darren Vogt: I will yield to Councilman Moss but I will say that I don't really want the State defining what our local determination is to economic development. I think it is a problem when you start dictating from the top down. That is not necessarily a good thing for the locals. Councilman Moss, you had some questions.

Paul Moss: I think some of them may have been answered already. It is a little disconcerting to hear, I would be interested in specifics about some of these employers that you claim are kind of fudging numbers. Maybe we do need to have stronger auditing. Maybe we do need to require additional information. I think what that would do is ultimately discouraging employers from seeking these abatements. You can argue whether that is a good thing

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or not. This isn't, contrary to what you said, common wealth. That infers an awful lot. This is private business, in many cases. It is not all of our money to take and redistribute. What we are trying to do is lower the amount of money that we do take under a confiscatory tax policy in order to encourage them to hire the workers that you and we represent. That is the intent of that. What I am really interested in is understanding some specific examples of what, frankly, should be described as fraud and some specific examples of how you would improve the process. I assume that this sheet is of the general ideas that you think would improve the process. I think we are all open to new ideas. I didn't see the disk either so I don't know if it is on there or not.

Tom Lewandowski: No it is not. That is more of a broad view. A couple of things related to that, when we presented to Fort Wayne City Council and also what we have been trying to do, we have had quite a few people from the press that have wanted to talk to us. They want us to give them names and we won't do that.

Paul Moss: I am not sure that is fair.

Tom Lewandowski: We don't think it is because we are focusing on the policy and this will end up being gotcha politics. There is one company that promises jobs between thirteen and fifteen dollars an hour with benefits. We know, based on check stubs that they are paying \$9.50 for temps after two years and those people are being counted. Those people, at \$9.50 an hour as temps, are unlikely to become net tax contributors to the common pot if not the common wealth. They are less likely to be tax contributors and are more likely to be tax users going to the Township Trustees or the United Way or whatever as opposed to being thirteen to fifteen dollars an hour with benefits.

Paul Moss: To reverse that do you believe that if their taxes were higher, in other words there was no tax abatement, it would allow them to have higher wage earners? If so, I am interested in understanding how that works.

Tom Lewandowski: What we are looking at is the Statement of Benefits and the assumption...

Paul Moss: I understand that piece. I understand that it is a no-no. I am talking more philosophically here. The tax abatement, do you believe that lowering a company's taxes via the tax abatement process is a good thing philosophically in terms of generating employment or is it just an opportunity to increase the profits for that company? Is that kind of what your concern is here?

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Tom Lewandowski: No, I am agnostic on that. We know it is implied in the tax abatement, and that is why we focus on that because it is the most visible part, is that there will be secondary benefits of taxes generated from the wages. That is usually part of the presentation where they start talking about multiplier affects. How much are people going to spend at restaurants? If that is not there, the benefits are less likely to be realized. That is how I am looking at it. We are trying to look at this as if we are making a good investment. That is how we are trying to look at this.

Paul Moss: That is appreciated. My questions are more for me to understand what your goal is. For a minute, it sounded like you were thinking that we should focus more on the smaller employers possibly and trying to work with them.

Tom Lewandowski: That was our bias coming in. From my personal experience in sitting on City Council in New Haven, I use the example of one company that came in and when I quizzed them I asked what their mission statement was. They said 16% return. I figured they were not necessarily...

Cheryl Hitzemann: Community.

Tom Lewandowski: Yeah. Another company came in and I asked what their turnover rate was. The guy says "Jim has been here 13 years and Al has been here 22." He didn't know what his turnover rate was but he knew every employee. I felt that this guy is going to be here and he is not going to turn people over. He makes a good case for being a good investment. That is the bias that I came in with. That was just anecdotal in New Haven. I am trying to find out if that pans out and is that true. In New Haven, we had Nishikawa Standard that came before us for tax abatements when they were actively pursuing a policy to move part of their operations to Mexico and part to Topeka, Indiana. I looked at that as we are paying for the moving van. That was a strategy that was developed way above the level in New Haven.

Paul Moss: Do you think that margin should be a part of the questionnaire?

Tom Lewandowski: I don't know what should be. We are looking at the effect on the people that we represent. On them having jobs where they can earn a decent living. That is our starting point for this. I mentioned before about the dynamic balance between business, government and workers and we believe in that. I trust that business talks to a lot of folks about what they want. I don't represent them. I represent the unemployed and anxiously employed workers, in general.

Darren Vogt: Councilman Brown.

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Larry Brown: We in local government have come to realize that what is good for our neighbors, so to speak, ends up being good for us. That has broadened to economic development with regionalized efforts. You could probably debate this but usually what is good for the City is good for the County and that type of mentality. It is not so much just our thing. I am now going to suggest words in your mouth, so to speak. Hopefully your coming here realizing that what is good for the people that you represent is good for everybody. The people that you represent shop at Walmart and go to restaurants do this and that and everything else. I would hope that you realize that what is good for the people that you represent is good for all of us. That being said, I think this discussion was going to happen with or without you because we have challenged ourselves with looking at the abatement process. It is a continuously rolling document. As we compete with adjacent States, we have to be on top of things and stay tuned in on what is going on with our neighbors. Whether it is General Mills or Harley Davidson or XYZ, they know how to play the States or the neighborhoods against each other and they do a real good job of it. We have to continually review what our policy is and what our methods of measurement are so that we can stay competitive.

Darren Vogt: Council, in the interest of time, we are going to get through with some of the staff and the forms. Councilman Buskirk.

Roy Buskirk: I wanted to make the comment to Mr. Lewandowski on some of the companies not fulfilling their obligation. We mentioned the economic situation that we currently have. One of the companies that really stands out in my mind and most people ought to be able to understand is Terex Advanced Mixers. Shortly after the tax abatement, the economy in construction turned sour and they haven't been able to reach some of their original plans. They had pledged a ten percent refund on the savings of property taxes and they have continued to meet that. I don't even like the name tax abatement because of the fact that they have to first make their investment and build on to their existing facilities. The tax abatement or tax forgiveness is only on the area that they built on. It is the same thing with personal property. It is not on their current machinery but on the new machinery. I think a lot of people, and not necessarily you, think that the County or the City just writes a check to these people and gives it back to them. It really needs to be emphasized that it is a refund of additional tax and not on the current tax. I really appreciate the five questions that you have because these are some that we have discussed and that we are going to be discussing. The one, and I would appreciate your input, is how do you measure economic development? One thing that several of the Council members have brought up is that we have many players in the field. It seems like, when we do make a basket, everyone on the team takes credit for that. You want to get the most buck for your dollar and so which organization

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should we be supporting more? As far as funding into economic development, almost anything you do to improve the County from roads, utilities and items like that can also be included into economic development. Anything you do that improves the livelihood of the community can be put into economic development.

Cheryl Hitzemann: Quality of life and good infrastructure are key issues before companies even look at other incentives. If you don't have the roads, they are not going to build there.

Tom Lewandowski: That is certainly within how CEDIT money is used. The unfortunate part that I have seen over the years is that sometimes because of the lack of follow-up, and there is no way to do that, I saw a company that moved from Fort Wayne to Kendallville and the equipment that they moved from Fort Wayne to Kendallville was considered new equipment. It was new to the County but the law says it should be new to the State. Nonetheless, they claimed it. I know another company that filed off serial numbers on their equipment. There are going to be those kinds of abuses but they are very infrequent. It is like how we slow down when we see a cop along the street. It is good to know that there is going to be someone watching.

Roy Buskirk: This is one thing that the County has been trying to watch and that is the fact of companies moving within the County and applying for tax abatements.

Cheryl Hitzemann: Right. Moving from the City to the County or moving from distressed areas to pristine areas.

Roy Buskirk: Exactly. Should they qualify for tax abatements? They are putting up a new building and they have construction workers and everything. That is something that we have ongoing discussions about now.

Tom Lewandowski: I do appreciate that this Council has wrestled with these issues. This summer, we read through some of your minutes and you had a real discussion about how to deal with these issues. I am not surprised that this is the first place that we are having a real discussion.

Darren Vogt: Councilman Harris.

Tom Harris: I just wanted to say that we have been and continue to be very focused on economic development in the County. The process, the evaluation and the assessment and incentives all count and we will continue to build on that. Thank you for your evaluation assessment and input on that process. Thank you for coming today too.

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Tom Lewandowski: If I can add, we are looking for metrics and will suggest some metrics. Nothing can ever be fully definitive but we will give you a little bit more of the things that we think are worthwhile to look at. The other part that I want to suggest, beyond tax abatements, is that because we have been generating discussions there are a lot of other aspects of economic development that we would like to emphasize. One of them is that most of economic development is focused on attracting capital. We also know the value of the labor and see that, for instance, with the Navistar engineers. How can we capitalize on the ones that want to stay here? We have been having discussions with them about that very thing. A very quick example, back in 1928 the Dudlow Company used to be in Fort Wayne and had the exclusive patent on enameling copper wire. It went nuts when they got the contract for making coils for Ford Motor. In 1928 or 1929, they closed up and moved to Rome, New York. Those people had their intelligence through their fingertips and the front office guys knew where to buy the Tung oil and all of that other stuff. They stayed here and Rea Wire developed along with Phelps Dodge and Essex. Through the 20th Century, Fort Wayne remained the magnet wire capital of North America if not the world. The asset was in those people. That is a different aspect that we are looking at. In another discussion with other folks, we would like to explore that because we have some ideas that we think can supplement and create a better economy.

Darren Vogt: Councilman Buskirk.

Roy Buskirk: In following up on that, it is one of the things that has been in our discussions and that is training. That has to be part of the attraction for new companies coming into this area or to even stay in this area. We have tried to work with the schools. One thing that a lot of people are not aware of is that there are very few doctoral degrees available in Fort Wayne, Indiana. One of them, in particular, is a lot of times young engineers or existing engineers don't continue their education beyond the Masters point because there isn't an opportunity for that. In reading this, you mentioned about training and that is one thing that we need to continue to focus on. I know that you folks do a good job on training skills and stuff like that.

Darren Vogt: Council, are there any further questions? I appreciate you coming in and as you get definitions of some of the things that you really like, I see a lot of questions and I would like to see you get with me on the answers that you get. You are asking questions but let's see your input on the definitions.

Cheryl Hitzemann: Or a report form that would spell out and have columns for annualized wages and that sort of thing?

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Tom Lewandowski: We purposely didn't come in here with a set play. We wanted to start with the discussion.

Darren Vogt: We are going to continue that now with our staff. Thank you very much. Council, you should have another packet in front of you from Nikki and Scott.

Nikki Liter: Good morning, Nikki Liter, Economic Development.

Scott Harrold: Scott Harrold, Economic Development. Before we get started on some of this other stuff, I took some notes on the comments from Mr. Lewandowski and Ms. Hitzemann. I really appreciate them taking the time and effort to do this. It is always helpful to get a different perspective. I wanted to hit a couple of the high points. As Ms. Hitzemann said, there is definitely confusion among people when they are filling out these forms. We get calls during the reporting season from a lot of companies that just don't know what they are supposed to put in these forms. We try to walk them through it and typically you get a lower level employee who is doing this work because everyone else is too busy and don't see this as a high priority. Often you get different people doing the form for different years. You have inconsistencies from year to year on how it is filled out and on what date they think they need to put in. That is a problem but we have an understanding of the company and what they are doing, and we don't feel the need to ask a lot of questions. We are more focused on the ones not meeting their goals than finding out why a company that exceeded their goals by hiring three times the number of employees but don't have payroll as high as it could be. There was a lot of discussion on the IEDC in Indianapolis and the articles about touting successes. I just wanted to make sure that you are aware and that the audience is aware that we don't use CF-1's to market our success or to tout our success. It is purely an internal mechanism for us to keep track of whether people are meeting their goals. It is not a marketing campaign. We don't look at companies that exceed their goals to see if they are padding their numbers or not. We look at the ones that aren't and we look to see if there is something to be concerned about. I understand the interest in wanting better reporting and better auditing of results. You have to understand that under State law, we have 45 days to evaluate the companies that you approve abatements for and with the small towns around here we might have 30 or 40 companies to review. We don't have the capability or the time to audit every single company. If you want to do that, you might want to put some money in your budget to hire a CPA firm or something like that. That is pretty much the high points but if there is anything that you had questions about or want to ask us, feel free.

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Darren Vogt: Council, are there any questions on that?

Roy Buskirk: I have a question. I know that it is once a year that we ask for their report. Is there any reason why we couldn't ask for it more than that? Maybe every six months or something would actually give you a longer time to look at the first six months.

Scott Harrold: The State form is required to be done by a certain date. Under State law, we can't change that. If you wanted us to seek information on a periodic basis, for your own interest, that's fine. Just be aware to weigh the cost to the company reporting and the bureaucracy to the benefits of whatever you are looking for.

Darren Vogt: Right, what are you trying to gain out of it.

Larry Brown: Maybe the deadline needs to be changed to allow for more time.

Roy Buskirk: We are following up this meeting with a meeting on legislation and maybe that is something that we should have in there.

Darren Vogt: Councilman Moss, did you have a question?

Paul Moss: Real quick. We are in a competitive environment, regionally and State-to-State and nationally to a certain extent. Is it safe to assume that the requirements or the burden or whatever you want to call it is similar to others in the region and even beyond that? In other words, if we require a whole lot of information and we have people going in there and auditing and doing all of that, would that put us in an outlier situation in terms of that component of economic development thus, possibly, putting us in a not terribly advantageous position relative to other areas trying to attract employers.

Scott Harrold: I am not aware if any of the surrounding Counties have additional reporting requirements. I doubt that they do. I know there are probably other cities in the nation that have a lot stricter requirements. A lot of States may differ. I don't know where we sit on that teeter board. I would guess that we are on the low side right now. Certainly anything extra that you ask for is just going to make it a little more difficult to administer. Whether that is going to be seen as an impediment, I'll leave that to Ashley.

Paul Moss: There are a lot of things that go into a site selection. Obviously this is just one piece of it. I am not trying to lay the groundwork saying that we need more or we need less. I am just wondering where we are relative to other areas.

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Ashley Steenman: Ashley Steenman with the Fort Wayne-Allen County Economic Development Alliance. Compared to other Counties in the State, we have had numerous other Local Economic Development Organizations come to us and ask us to model the policy of Fort Wayne and Allen County and to model our abatement applications. I would say that you guys are ahead of other communities. I know that there are other communities within our own region that simply require a Statement of Benefits and that is all. The same thing goes for reporting compliance forms annually. Tax abatements are something, speaking in general terms, of an incentive and does not level the playing field. Or it doesn't give us an advantage. Everyone, other States and other communities, finds ways to do ten-years at 100%. When it comes to projects and incentives, this is something that is more or less expected. If you don't, it goes towards your business climate and how business friendly you are. That is what we see from site selectors and consultants and the people that we interface with.

Paul Moss: Would you be perceived more business friendly if you had additional requirements and additional questions and additional auditing?

Ashley Steenman: That would not help. It is hard enough to get people to fill things out. They don't want to put things down in writing because they don't want to worry about being slammed in the paper the next year because they didn't meet their goals as fast as they planned to or would have liked to. When we work with companies, we ask them to be honest but also to be somewhat aggressive because all of our incentives are performance-based. You can say that you are going to do 100 jobs. We ask them to be realistic and honest. Don't exaggerate your numbers. We don't want them to come back to us and say that they created 200 jobs instead of 100, what are you going to do for me and why can't we go back and fix this? We ask them to be honest. Asking for more reporting, I don't think is going to look very well. It is not going to make our jobs much easier. Like I said, it is hard enough to get these people to fill out these applications and assure them that the newspaper isn't going to write some horrible article about how they are trying to steal money from the community.

Roy Buskirk: A lot of times, on the number system, the number of jobs we are talking about a seven-year to a ten-year. Again, they have to make the improvement and bring in the equipment before they receive any of this.

Ashley Steenman: That is absolutely correct. I always tell people that you are only going to get out of it what you put into it.

Darren Vogt: Councilman Harris.

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Tom Harris: I am very much interested in always trying to improve that process. Whatever we can do is fine. I do not want to move toward providing more roadblocks. That is not where we want to be when we represent all of the citizens of this community. We try to get those jobs in here and try to provide a positive business environment. Instead of focusing so much on the abatement process, which is a standard and every community does it, what is next? I am not expecting an answer but my interest isn't what we do today but what we should be doing to compete with Beijing or someplace in Texas. What do we need to be doing to be ahead of that process because that is what we need to do for our citizens? Any thoughts?

Ashley Steenman: I think that is a largely strategic question that could go off in numerous directions.

Tom Harris: In the Midwest, we have to be more competitive than those warm climates in other areas of the country.

Nikki Liter: I think it starts with education.

Darren Vogt: I want to circle the wagons here for a minute. We do have some specific things we want to get to on the agenda. To answer the question, I think it is a lower tax base. If companies see that we have a great workforce and a low tax base, they may not want to worry about the fact that in February it is 20 degrees outside. Let's focus a little bit on the application process. That is one of the things that we talked about with the Super Abatement and trying to create an increase in the average wage in the community. We want to make sure that the questions that we have on the form are what we want to have on the form. Then the Economic Development staff can make sure that they are following what our procedures are. Then we can talk about any other types of abatements that we may want to look at that are needed or wanted for this community. From that, I will turn it over to Nikki to go through it. Ashley, I don't want you to leave unless you have to go somewhere.

Ashley Steenman: I have a meeting in fifteen minutes.

Darren Vogt: We have one in 45 minutes and so we are going to keep on task here so that we don't get too far off track.

Nikki Liter: There are just a couple of changes. We didn't make the form any longer, really. It is still just seven pages. The first page, like I had noted before, in talking with some of the gals in the Auditor's office just making sure that they are putting the correct names on the application as what we

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are going to see on the SB-1. When it comes time for filing, there was some confusion with who is paying the real estate taxes and who is paying the personal property taxes. That was one small improvement there.

Darren Vogt: I'll explain that a little further. Basically what happens is that there might have a holding company within the company and actually owns the real estate and might be listed differently on the tax rolls. That is the clarification that needed to be done.

Nikki Liter: On page two, that is where the biggest changes come from. We talked about how to make sure that we are getting companies in here that are paying ten percent above the average annual wage in Allen County. The old application was too generalized and we were just asking for the NAICS Code. That is just an industry code that doesn't tell you what types of jobs they are hiring for. You have a company like Vera Bradley that is manufacturing handbags but not everybody in the company does that. There are different positions and if we want to look at bringing companies in that will be paying the ten percent higher, we want to know specifically what jobs we are talking about here. We gave them a tool within the Bureau of Labor Statistics website where they can look at the average annual wage in Allen County and can break it down by job category. They can see what the average annual wage is for a particular position. That is what we are looking for here. What positions are you creating or retaining? Give me an average of what that is paying. Going back to State law, we can't ask for a specific job like what the CEO is making. We can't ask for that information. The only thing we can ask for is the average. On this page, we also changed not just the full-time jobs but we also want to know about any kind of temporary positions. We are not going to base abatements on those temporary positions although they do add to the job base. We are going to look at those full-time jobs. What are the net full-time jobs that you are creating or retaining?

Paul Moss: Define temporary?

Nikki Liter: Some places have hired through a temporary job agency like Manpower. Some positions are temporary. There is a place in Geneva that processes tomatoes. It is seasonal.

Paul Moss: You define those as temporary too.

Nikki Liter: Yeah. We really didn't change the other part of the application.

Darren Vogt: Let's interject there. As you were tweaking this, maybe instead of using the word temporary, maybe put a slash and add seasonal.

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Nikki Liter: Okay.

Darren Vogt: Some companies may think that they do it every year and every year that person is employed and may not be a temporary person to them. That is part of their normal process and that is when the work comes in. It may not be labeled temporary to them. We want to make sure that we are defining it as clear as possible for those folks. Councilman Armstrong.

Bob Armstrong: In the reporting, when they are reporting full-time positions and how many it is going to create, how many people do you think are in those total numbers of new hires? During Vera Bradley, they said there was a number that was retained and they were going to hire an additional 127. Out of that 127, have we seen or is there a way that we can check where the people that are being hired from Manpower and are temps, are they being rolled into that 127?

Nikki Liter: No.

Bob Armstrong: Or are they bringing in temps, working them for a period of six months and then they roll into benefits and stuff but how many of those people are getting cut before that six months and then they just hire a new batch? Are we really creating jobs or are we just half-heartedly filling jobs seeing that we are not paying benefits and when we get to that benefit line, we cut and then we bring in new people and we keep the process moving. Are they creating new jobs or are they not creating new jobs? I am not picking just on Vera Bradley.

Scott Harrold: I am glad you used Vera Bradley as an example. They were quite specific that they were not including temporary/seasonal workers in their numbers. They do have a seasonal nature where they are very busy through the holidays. They may hire another 300 people that they weren't reporting. I can't say that every company is going to be like that. As far as the temporary workers that are hired through a temp agency, that has become the new normal. It is an easier way to sort of try someone out for a job and see if they are a good fit and if they are a good worker. It is a lot easier to get rid of them if things don't work out. The people that do work out generally come onto the full-time payroll after a certain period of time.

Nikki Liter: A temporary agency has more time to invest in looking into a potential employee. The company can look at them and ask what they think.

Bob Armstrong: I understand that. I just hope the system is not being used in that they use the temporary and then cut before they get to the point where they are going to have to either hire this person with benefits or we will

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relieve them and hire someone else to come in and float. I just want to make sure that we are retaining jobs. That is my key issue.

Ashley Steenman: I think employers want to have good workers. If they are not a good worker, they should get rid of them.

Bob Armstrong: I understand that.

Ashley Steenman: I don't think that anyone intentionally says that in six months we are going to have to pay them benefits and so you are out of here. If you are a good worker, they should hold onto you.

Bob Armstrong: You live in a different world than I live in.

Roy Buskirk: Bob, one thing that you have to take into consideration is that they are paying that temporary agency more...

Bob Armstrong: I understand how it works.

Roy Buskirk: ...than if they hired the individual worker.

Darren Vogt: I am going to corral us again folks. These are legitimate questions but I want to focus on getting through this section of where we are. The concept is making sure that we are capturing, as part of the tax abatement process, the temporary/seasonal workforce. That is what we are really looking to do. To answer any concerns that arise, we are actually defining the difference between a full-time employee and a temporary employee. The temporary employee may be working full-time but they are not an employee of the company. They are actually an employee of the temporary agency. We are trying to further refine the process and the information that we get. Councilman Armstrong.

Bob Armstrong: My only question to add to that is there a way that we can have, on this reporting, how many people are being seasonal or are hired through a temporary service?

Darren Vogt: Page two is where this is answered, down at the bottom. You might not be on the right page.

Bob Armstrong: All right. To me, I agree that we are trying to grow jobs and I totally agree with that. I just want to make sure that the way the system is worked that it is not being worked to where you are, in my terms, using employees and then rolling them off to get a new crop.

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Darren Vogt: Those wouldn't be factored in any kind of tax abatement process. Councilman Buskirk.

Roy Buskirk: Did you have something to say, Larry?

Larry Brown: Scott took care of it.

Roy Buskirk: My question would be as far as seasonal workers, you have some full-time employment that is seasonal. You have construction workers that are almost seasonal workers because they are only working three-quarters or nine-tenths of the year. When the weather gets too bad, they are not working. Their pay wage is for the total year and compares with other occupations.

Darren Vogt: I understand that. What we are trying to do is to define those. If we see that they have seasonal employees, it allows the staff to ask more questions about the seasonal employees. Do they work for nine months out of the year and then laid off temporarily? It is designed for them to get more information.

Nikki Liter: I think that looking back at the past abatements that I have done, we don't see a lot of those types of businesses.

Roy Buskirk: No, you probably wouldn't.

Larry Brown: We have, and the reason that I jump in here is because we have allowed or approved tax abatements on the service industry, construction service industry to be specific. Some other comments that have gone on here, if we don't hold tax abatement applicants accountable, then their competitors are at a disadvantage.

Roy Buskirk: Right.

Larry Brown: They are receiving the abatement and not having to meet the goals that they established. If you want to know specifics, I will give them to you. I've got two competitors that received tax abatements and are not meeting their goals. There are lots of reasons. Construction economy is in the tank but is that fair? I think not.

Darren Vogt: I think that is for the end of this discussion where we are going to talk about what we are looking at from professional services or the service industry in general. Obviously I have had some concerns over abatements that we have done and voted against several. We need to make sure that we are all in agreement. Councilman Moss.

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Paul Moss: You are absolutely right, Larry. We could argue that an established company is at a disadvantage because they have been there for a long time and are not necessarily reinvesting but are maintaining employment.

Nikki Liter: I think it is good to have these continuing reviewing processes because it is a learning process the entire time. It is always going to be changing.

Darren Vogt: Let's move onto page three.

Nikki Liter: Page three is still the same. We ask for the amounts that they are investing. They don't get the abatement if they don't invest it. Does this affect their points, yeah but we also look at that on the compliance forms. Most of the time, what we fail to remember is if a company puts down their completion date and it is expected to be three years out, that is something that we have to take into consideration. After the first year, does it look like they are not in compliance with their investment, yeah but how long is this process going to take? You have a place like the General Mills establishment that is going to take a while before it is up and running. A lot of times I think that's something that we don't stress enough is we get to worrying about jobs and wages which are very important but we forget about the investments that some of these companies are making. This page hasn't changed at all. We still ask for the numbers and that gets us started on the point system.

Darren Vogt: Council, do you want to see any type of different breakdown of 12A, the total cost of real estate improvements? As far as the breakdown and what that entails, do you think it is necessary or not?

Nikki Liter: I think that if you ask for more, when I have a tax abatement application and it gets receipted in, it is then a public document. You have to be kind of careful about the confidentiality.

Larry Brown: Are you talking bricks and mortar versus dirt?

Darren Vogt: Yes, what is the breakdown of work that is being done? What is structural and what is real estate? That is where I was looking. If we don't feel there is a need for it, there is no big deal. It was a discussion point.

Nikki Liter: Some companies include it anyway. They will give you a separate sheet to show exactly what they are doing.

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Scott Harrold: We typically tell them not to include things like purchase of land, parking and things that wouldn't be abatable. I don't know that it would be helpful to have them report that.

Darren Vogt: That is what I was trying to get at. You have already narrowed the focus down to this is the actual building, for argument's sake. So you have narrowed that down.

Scott Harrold: Yeah. As we go through this, if there are things that you wonder why the question is there or you don't look at it, I have no problem making the form shorter. There are some things that we need in there for us to do our paperwork. There are some things that we need in order to address State law.

Darren Vogt: Are there any other questions on that? Question 16 is important. "For office and service business, please indicate the percentage of clients and customers located within Allen County". That is one of those questions where we have been talking about the service industry and professional services and is that a question that we need to define, remove and say that we are not doing abatements? Sometimes it doesn't even get answered or is answered in a way that is pretty vague. My own thoughts are that service industry and professional services that need to be located in this community should not be tax abated. If you've got to be located here to serve the clients then you really shouldn't be receiving tax abatements. You are here because the business need develops the fact that you are here. You have seen a business model that says you are here to service the community.

Scott Harrold: I guess that is sort of why that question was there, to try to differentiate between those that need to be here and those that don't. There is always going to be a question about whether it is truly a regional company or not. I think that is what we were trying to get at.

Darren Vogt: All right. Do we want to leave that question in? We will move on and leave it in for now. While we are moving onto page four, am I the only one who thinks that service, I know that Councilman Brown has concerns about service and professional services, but what is the sentiment on the service industry and professional services?

Tom Harris: What was the question?

Darren Vogt: Professional services and the service industry, where are we on those types of abatements?

The video stopped and resumed a few minutes later.

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Scott Harrold: They want a letter from the Alliance asking what sort of incentives they would be eligible for. Typically, we look at what they are going to be doing and then give them an estimate of what we think they would be eligible for. If they come in at a later date and we say that they filed their application too late, they had some indication that they were going to be eligible for that and so you have to be careful with your timelines there. Sometimes you get local companies who are so busy with everything else that this was the last thought.

Darren Vogt: For me, it is more about information and when did you think this through in the process. Was it an afterthought and now they want to go back and get the tax abatement after they have thought it through and put my business plan together to go through this. For me, it is where are they in their process and where did the tax abatement come into play and was it a part of their decision to do the job? Sometimes it is a part of it and sometimes it isn't and they get to that after they have gotten through that. The more information that we know, the better decisions we can make. If I am the only one on Council that thinks we need to know that, it doesn't matter to me.

Larry Brown: I challenge, what do you do with the answer? How does a yes versus a no weigh in?

Darren Vogt: When I get the application, the same way it does when I get the yes versus the no on the other question. We are going to look through each of them and talk about it. I am going to call the company and ask questions or I am going to ask the staff questions. Where are they in the process and when did you know about it? They may have already done it but staff talked to them six months ago and they never really applied for it because they didn't know when, in the process, they were going to do it and to get the information and to know it and to talk about it.

Roy Buskirk: On the timing and stuff, we just recently had an announcement on a tax abatement that we made a year ago. Timing can be different for many different reasons.

Darren Vogt: I don't disagree. Council, it is 10:30 and so we are either going to have to be late for our next meeting or we will have to continue this discussion. We've got several more pages. Councilman Brown.

Larry Brown: Sorry, I didn't mean to interrupt. I think we need to stop where we are at and continue this.

The video stopped.