

THE PORT OF GREATER CINCINNATI DEVELOPMENT AUTHORITY
BOARD MEETING MINUTES
Thursday, October 6, 2005
8:00 AM at the Port Authority Offices

I. CALL TO ORDER

Jack Rouse called the Port of Greater Cincinnati Development Authority Board of Directors meeting to order at 8:02 a.m.

BOARD MEMBERS PRESENT:

Budig, Otto
Hull, Betty
Humes, Tom
Kearney, Eric
Kull, Ron
Love, Steve
Muller, Paul
Rouse, Jack
Vehr, Nick
Zimmer, Joe

EXCUSED:

Bailey, Clifford
George, Lou
Hale, Joe
Johnson-JioDucci, J.J.
Otto, Charlotte
Reid, Janet
Siebenburgen, David

STAFF:

Ciampone, Kathy
Robb, Deborah
Satzger, Kim
Schafer, Ray

GUESTS:

Bomberger, Jeffrey – Squire Sanders & Dempsey, LLP (*via telephone*)
Cundiff, Jim – Hamilton County
Jones, Bruce – Squire Sanders & Dempsey, LLP (*via telephone*)
Phillips, Bonnie – City of Cincinnati

II. APPROVAL OF MINUTES

MOTION: Otto Budig made a motion that the minutes of the September 8, 2005 Board Meeting be approved. Steve Love seconded the motion. The motion was passed unanimously.

III. BROWNFIELD PROJECT UPDATE

4000 Red Bank Road – Kim Satzger reported that the Port Authority continues to make progress on this project. The Port Authority is in the process of grinding up the foundations remaining on-site. This ground up material will be either used on-site for fill material or transported to a landfill for disposal. We anticipate being finished with this segment of the project in November.

5025 Carthage Avenue – Kim Satzger reported that the bids on this project have been received. The bids are currently under review by Al. Neyer, Inc. The Port Authority will receive a bid summary from Al. Neyer, Inc. After the Port Authority reviews the bids and bid tabulations, we anticipate authorizing Neyer, as project manager, to award the contracts within the next couple of weeks. We expect that work will begin on the site in November.

320 South Anthony Wayne Avenue – Kim Satzger stated that at the Port Authority's last Board meeting we reviewed the Clean Ohio Revitalization Fund (CORF) schedule for the grant application review and approval process. The Port Authority submitted the 320 South Anthony Wayne Avenue project for consideration for a CORF grant. Per that schedule, on September 9, 2005, the District 2 Integrating Committee met to review the Clean Ohio Revitalization Fund applications that were submitted in Hamilton County. When the applications were submitted to the Integrating Committee, each applicant included a self score. The Integrating Committee confirmed the self score and then added ranking points prior to forwarding the applications to the State of Ohio to compete on a statewide basis. The Integrating Committee assigned an additional 40 points to its first priority project, 25 points to its second priority project, and 15 points to its third priority project.

Ms. Satzger reported that ordinarily the Integrating Committee assigns that first, second, and third place points based on the ranking of the projects (highest to lowest) by the confirmed self score. However, this time the Integrating Committee modified its assignment of points process. The Integrating Committee awarded the 40 points to the second highest scoring project which was the Cincinnati Millworks project with a self score of 71 points, and the 25 points to the highest scoring project which was the 320 South Anthony Wayne Avenue project (the Port Authority's project) with a self score of 83 points, and the 15 points to the third highest scoring project which was the Lincoln Heights Job Corps project with a self score of 69 points. The ranking points are added to the base self score. The current funding amount for the State of Ohio is \$40 million. The Integrating Committee hopes that this strategy will assist in providing funding for two projects within Hamilton County.

Otto Budig asked if the \$40 million was for all of the CORF projects within the state.

Kim Satzger said yes.

Ms. Satzger explained that the Intergrating Committee did a thorough job of reviewing the preliminary scores of the projects from around the State. Currently, it appears that 13 projects will receive funding on a statewide basis. The Integrating Committee believes that this modification in assigning the points is the best way to try to bring two projects back to Hamilton County.

On September 15, 2005, the Integrating Committee forwarded the locally ranked projects to the State of Ohio – Ohio Department of Development. From September 15th through December 14th, the Ohio Department of Development and Ohio EPA will review and score the applications. On December 14th, the Clean Ohio Council will meet to determine the funding awards. In January 2006, the State Controlling Board will provide the final approval of the projects.

IV. THE BANKS PROJECT UPDATE

Jack Rouse gave a brief update on The Banks Project. He said that Chad Munitz and the City Manager put together a PowerPoint presentation for the City of Cincinnati's Community Development Committee, chaired by Councilmember David Crowley. Mr. Rouse said that the presentation is included behind Tab IV of the Board

binders. Mr. Rouse indicated that there has been minimal communication between the City and County with regard to the development agreement for The Banks Project. The Port Authority and 3CDC have not been involved in the project since the County's June announcement. Mr. Rouse indicated that this PowerPoint presentation was provided to the Board simply to inform the Board of the most recent developments related to The Banks project. Jack Rouse also noted that the predevelopment agreement between Hamilton County and Corporex expires in early December.

Otto Budig asked if Jack Rouse made this presentation.

Jack Rouse noted that Chad Munitz presented this information to the Community Development Committee.

Steve Love wanted to know who the audience was for the questions included in the presentation.

Jack Rouse said these were questions that the City staff had raised with regard to development and financing issues related to the project.

Otto Budig asked if there were responses to the questions.

Jack Rouse explained that in some cases the questions were raised as questions that would need to be resolved before the City could determine its position on the County's proposal.

Kim Satzger explained that the Community Development Committee had asked for a briefing in anticipation of the development agreement coming over from the County. Chad Munitz thought these were questions the City would likely be asking as they review the development agreement.

Jack Rouse said that the City has retained private counsel to work on these questions and to start looking at some of the issues related to the County's proposed development approach for The Banks Project.

Nick Vehr suggested that, at future Board meetings, The Banks Project be removed from the agenda. He said that he understands that we all have an interest in the project. But the fact remains that the County has made it clear that the Port Authority will not be working on the project. As there is currently not a formal role for the Port Authority, he believes that it is best to remove this section from future agenda.

Jack Rouse agreed.

The Board concurred.

V. CHAIRMAN'S REPORT

2003-2004 Bi-Annual Report – Jack Rouse said that he forwarded some of the comments to the Board that the Port Authority had received on the Bi-Annual Report. He said that the responses have been extremely favorable – both as to the style and content of the document. Mr. Rouse said that there has been a strong response to the brownfield project work included in the Report.

Mr. Rouse further stated that several Board members have met with the County Commissioners and most of City Council members to review the 2003-2004 Bi-annual Report. In addition to the Report, the Port Authority provided a supplementary document that included the year-to-date economic inclusion numbers. The elected officials were pleased with the accomplishments with regard to economic inclusion.

Steve Love said that he thinks that the Port Authority's 2005 economic inclusion performance is second only to the National Underground Railroad Freedom Center, which used a private bidder selection process. Mr. Love thinks that the staff of the Port Authority should be congratulated for their performance. The results are truly outstanding.

Jack Rouse agreed.

Strategic Plan – Jack Rouse asked Kim Satzger to provide an update.

Ms. Satzger said that the staff met to discuss next steps with regard to the strategic planning initiative. The intent is to simplify the draft strategic plan document that was prepared earlier in the year. She indicated that once the document had been refined, it will be time to reconvene the Strategic Planning Working Group. Ms. Satzger said that she will be notifying the Board members that had previously served on that Working Group to determine their interest in continuing to serve. Ms. Satzger also extended the invitation to any other Board members that wish to participate on the Strategic Planning Working Group.

Jack Rouse said that one of the key issues as we finalize our strategic plan is the reformation of the Port Authority. In order to be a fully functioning Port Authority, we need to lift the current restrictions on the Port Authority. One of the main constraints is the fact the Port Authority is restricted to two missions – Banks and Brownfields.

Mr. Rouse noted that when he met with Councilmember David Pepper to review the 2003-2004 Bi-Annual Report, Councilmember Pepper specifically discussed the issue of the Port Authority becoming a fully empowered Port Authority in support of economic development throughout Hamilton County. Councilmember Pepper understood that the Port Authority had prepared a draft Amended and Restated Formative Agreement that had been prepared as part of the strategic planning process earlier in the year. He is interested in receiving a copy of this document. Mr. Rouse said that Commission Phil Heimlich was also interested in hearing about lifting the restrictions on the Port Authority but he did not have an interest in receiving the draft documents.

Betty Hull asked if Port Authority representatives had met with Mark Mallory.

Jack Rouse stated no.

Betty Hull suggested that Board members also meet with Mr. Mallory.

Otto Budig concurred.

Jack Rouse asked Deborah Robb if she would schedule a meeting with Mr. Mallory to present and explain the Port Authority's 2003-2004 Bi-Annual Report.

Jack Rouse said that with the restrictions lifted on the Port Authority, it will become a fully empowered port authority. The Port Authority will then be able to serve as a versatile economic development tool for projects within Hamilton County. Mr. Rouse said that the accomplishments included in the Bi-Annual Report were those of a port authority with more restrictions on it than any other Port Authority in the State of Ohio. In addition, the work was performed with a staff level fluctuating between three and four persons. Mr. Rouse said imagine what the Port Authority could accomplish with the restrictions being lifted and with addition staff. Mr. Rouse continued by stating that when becoming a fully empowered port authority, the Port Authority needs to receive operational support from both the City and County.

Bruce Jones said the objective of the revisions to the Port Authority's 2000 formative agreement is to empower the Port Authority to be fully operational and eliminate the need for approval by the City and the County in order to take action. Mr. Jones continued that the question that remains for the Port Authority is whether it wants to include a City/County funding commitment within the agreement or to deal with funding on an ad hoc annual basis.

Jack Rouse said that he recommends that the Port Authority forward a draft Amended and Restated Formative Agreement to the City and County that includes a suggested amount for annual operational funding support. In meetings with both the City and County, Mr. Rouse said that he made it very clear that, whether it can be tied to the formative agreement or not, it is not the Port Authority's desire to solicit funds on an ad hoc annual basis. Soliciting funds on an annual basis does not create an environment that allows the Port Authority to do its work

efficiently and effectively. Further, the projects on which the Port Authority is working require a multi-year commitment. It is difficult to make a multi-year commitment when the Port Authority has an irregular funding stream. In the current environment, the Port Authority cannot hire an adequate amount of staff to support current of future levels of development activities within the County.

Jack Rouse stated that the City has provided \$175,000 of the original requested amount of \$285,000 for 2005. The County has not contributed the agreed upon amount of \$285,000 for 2005 as yet. The County has the Funding Agreement but has not yet taken a vote to pass it.

Jack Rouse asked Kim Satzger to draft a letter requesting the additional \$110,000 for 2005 from the City, as well as a letter to the County requesting the \$285,000. Jack Rouse said that he will send out the letters under his signature.

Steve Love wanted to clarify his understanding of the September Board meeting concerning the revision to our mission as he was not present at the September Board meeting.

Jack Rouse responded that the Board had agreed to recommend to both the City and the County that the Port Authority's formative agreement be amended to make the Port Authority a fully empowered port authority.

Nick Vehr acknowledged that we are requesting what every other city in the State of Ohio has done by asking to be a fully functioning port authority. It is not a complicated document but a working model that works in every major city in Ohio except for ours.

Bruce Jones agreed saying that regardless of what has happened with The Banks – even if it was “business as usual” with The Banks – the Port Authority would want to make these changes anyway. In fact, these changes had been discussed previously. Mr. Jones said that the document is a simple document that will allow the Port Authority to do all the things that port authorities can and should do.

Jack Rouse noted that this discussion of change to the formative agreement initially began long before the current Banks situation. It started with the Mayor's Economic Development Task Force in 2002 and was echoed by Hamilton County's IEDC Report in 2004. Further, Mr. Rouse stated that this is something that the Port Authority has recommended since its inception.

V. PRESIDENT'S REPORT

Kim Satzger reported that Governor Taft came to Cincinnati on September 29, 2005 to make an announcement regarding the Clean Ohio Fund greenspace program. Governor Taft made an announcement about the next round of grant awards under the greenspace program. The announcement, which was coordinated by the Port Authority, was made at the Polk Building (now called Park Place at Lytle) and included a tour of the building. During his announcement, Governor Taft stressed the importance of brownfield redevelopment and greenspace preservation as part of the Clean Ohio Fund Program.

Financial Report – Kim Satzger asked Ray Schafer to provide the financial report.

Budget Amendment – Ray Schafer reviewed the budget amendment resolution. Included in the materials provided to the Board was a table which provided the original budget compared to the proposed amended budget. The current budget takes into consideration the Board actions taken through August 31, 2005. Mr. Schafer said that we are looking to amend the August 31, 2005 budget based on a review this year's charges and projections for the remainder of the year. Changes to the budget include:

1. Professional Services which includes clerical, accounting, legal, graphics, and legislative services. We have not added personnel this year as expected, which has been offset by the heavier use of professional services. Additionally, there were some services for which we did not budget.

2. The Strategic Plan Initiative project that the Port Authority undertook at the beginning of the year was not included in the budget. The cost for this initiative was approximately \$30-\$35,000.
3. The Walker Parking Study was not originally included in the budget. The Board approved this project by resolution earlier in the year. The cost of the study was approximately \$24,000 (\$22,000 fee plus expenses).
4. The 2003-2004 Bi-Annual Report expense was included in the budget at approximately \$20-\$25,000. The actual cost was above the budgeted by about \$5-\$10,000.
5. An Economic Impact Study that is estimated to cost approximately \$21,000. This activity has not been initiated. It is simply recommended by staff.

Mr. Schafer said that there are other minor changes in various line items of expense – all of which have been evaluated resulting in what we believe is a necessary amendment increase to budgeted expenditures of \$78,873. Mr. Schafer asked for questions.

Eric Kearney asked how we make up that difference – the difference between the original budget and the suggested amendment to the budget.

Otto Budig noted that it is just as important how it plays against the income versus expenses for the year 2005.

Ray Schafer replied that assuming we get the anticipated revenues, we are in good shape in terms of cash. However, it is important that we receive the anticipated revenues. For example, with regard to some of the projected actions that we would like to take, we have to wait and see where those revenues are coming from before we make the expenditure. With regard to fixed expenses, as discussed last month, we still need that revenue stream from the City and County in order to make all this happen.

Eric Kearney asked whether our projected income for 2005 is \$1.3M.

Ray Schafer pointed out that the budget revenues do not cover the budgeted expenditures necessitating the use of cash reserves, which was the case with the original budget.

Otto Budig asked whether this was as opposed to the Port Authority's projected year end.

Ray Schafer said that is correct. Revenues were projected at about \$850,000. One thing getting us through is the \$783,000 cash we received from the sale of the Kemper property.

Nick Vehr summarized saying our cash position is fine but our cash flow is negative.

Ray Schafer agreed that that is correct. Mr. Schafer said that our position is good now but we are relying on projected revenues to support us.

Jack Rouse said that in meetings with City and County elected officials he made it very clear that the point of the Kemper site sale was not to support operational expenses but to help the Port Authority start generating money that would help support other brownfield projects as we move forward. Mr. Rouse said that the message is out there in terms of need. If the County believes that brownfields need to be recycled, then the County needs to provide funding support as the brownfield activities, as a rule, will not be self supporting. Mr. Rouse said that with regard to the financings, the Port Authority receives some income.

Paul Muller asked if we amend our budget and then receive the revenues we anticipate receiving, did we budget for an operating surplus for the year.

Ray Schafer said no, we were going to be at a deficit as we planned to use cash from the previous year.

Paul Muller asked if this amendment increases that debt.

Ray Schafer said yes.

Tom Humes said he was not accustomed to seeing an increase in budget without seeing it against an increase in revenue. Does this mean that we are cutting into the money that we received from the sale of the Kemper property?

Nick Vehr said yes.

Tom Humes wanted to know if it is because we did not get our money from the County and the full amount from the City.

Ray Schafer explained that he is assuming we are getting the full amount of \$850,000 of estimated revenues for 2005. If you look at those revenues and ask if there has been any significant fluctuation in what we anticipated, I would say no. Mr. Schafer said that we are saying that we did project a negative cash position and, bottom line, that negative position would be increased by \$78,873.

Nick Vehr said he is trying to get this clear in my mind. The two things achieved by the resolution are:

1. Reallocates some of the budget line items; and
2. Authorizes approximately \$79,000 in additional spending that was not previously budgeted.

Ray Schafer agreed.

Nick Vehr then asked if Kim Satzger or Ray Schafer could quickly go through again what makes up that \$79,000.

Ray Schafer said that it is difficult to nail down the savings in terms of not adding personnel that resulted in using additional professional services. When combined with other increases in professional services, the net is \$53,000 of additional expenses.

Nick Vehr said so there is an additional amount above the \$50,000-\$60,000 in contract versus in-house staff, as well as \$30,000 or so composed of many items.

Ray Schafer said yes and those unbudgeted items would be Strategic Initiative for about \$30-35,000, the Walker Parking Study for approximately \$24,000, and an amount over budget of \$5 \$10,000 for the annual report.

Nick Vehr said that he did not think anything was done that we were not all aware was going to be done. If the annual report is helpful to us in telling the story of the value of the Port Authority to the elected officials then the extra \$5-\$10,000 is a "no brainer."

Jack Rouse said that the Bi-Annual Report has been extremely helpful. He said that we talked at some length about not even doing the Report after the change in The Banks project. The Banks section is still in the Report because the report was ready to go to press in the summer of 2005 and it covers 2003-2004. The Port Authority was very active in The Banks Project during the 2003-2004 time period.

Jack Rouse then asked if this resolution can wait until November.

Nick Vehr said that he did not have a problem with it now.

Eric Kearney asked if there were alternatives – short of amending the budget – that would enable us to stay on budget.

Otto Budig said he thinks that the professional services are pretty well set. The \$78,873 is about a 6-7% increase.

Nick Vehr noted that we are starting the fourth quarter and it is pretty hard to adjust spending once into the fourth quarter.

Otto Budig asked if the services are anticipated or committed.

Ray Schafer said there are some that are anticipated, for example the Economic Impact Study of \$21,000.

Otto Budig asked if the study can be stopped or eliminated.

Kim Satzger said yes it could be stopped. It has not been started yet. Ms. Satzger said that she recommended that the Port Authority engage a consulting firm to measure the results of the projects that we have undertaken. The intent is to measure the economic impact, including the multiplier effect, of the projects that the Port Authority has completed.

Jack Rouse noted that this Economic Impact Study is something in which the elected officials would have an interest.

Steve Love asked if the study could be delayed to the first quarter without losing any of the expected impact.

Otto Budig said that that is a good point because the economic impact may be greater then versus doing the study now. Mr. Budig said that he thinks that the objective is to look at the amended budget items for changes and determining what is in there, what has already been committed to, and what we would be able to hold over to the first quarter of 2006.

Jack Rouse agreed with Otto Budig's suggestion. If there is no urgency, then we can deal with this in November.

Otto Budig suggested that you can either deal with it in November or you can empower the Finance Committee to deal with it.

Nick Vehr asked when we would have the results from the proposed Economic Impact Study. Mr. Vehr believes that the results will be tremendously helpful in the upcoming discussions with the City and County. If we are at a point now where those discussions are going to occur and we are not going to have the results then it might be of value to look at waiting until early next year. On the other hand, if there is a way to accelerate the completion of the study and get the results in time for the City and County consideration of the Port Authority's value, it would be well worth getting the study done immediately. Mr. Vehr said that he thinks that this is a vital document for this organization. He said that the study will provide third-party objective data about the impact of the \$7,000,000 in grants that the Port Authority has brought to the region for the brownfield projects.

Jack Rouse asked Nick Vehr whether getting this done as soon as possible meant trying to get this done pre-election or pre-end-of-year.

Nick Vehr thought sometime in late fourth quarter.

Jack Rouse noted that if the study can be done by early December, we will look at maybe moving forward and if it cannot be completed in that time frame then there is no point in rushing until after the first of the year.

Mr. Vehr said that he thinks that Mr. Kearney asked the right question, that the Port Authority should look at what we need to spend, what we don't need to spend, and if there is a way to recoup that in the fourth quarter.

MOTION: Nick Vehr made a motion to adopt the resolution to amend that 2005 budget and requested that staff and the Finance Working Group report back in November on steps that can be taken to minimize the impact to the budget. Eric Kearney seconded the motion. The motion passed unanimously.

Mr. Vehr said that he does not have a problem with the reallocation of the line items. Mr. Vehr said that he thinks that it is a responsible step for us to take. He said that as a public body the last thing we want to do is come back in December tweak our budget at the end of a calendar year.

Jack Rouse asked Bruce Jones if a roll call vote was needed for this resolution.

Mr. Jones said no.

Nick Vehr pointed out that the Economic Impact Study and the Walker Parking Study accounted for two thirds of the \$78,873 and if we have to adjust our budget because we are doing things that are important, that is perfectly reasonable.

Bruce Jones added that as he works with port authorities around the State, particularly port authorities like the Port of Greater Cincinnati Development Authority – that do only economic development work. The challenge of controlling revenues and expenditures on an annual basis is very difficult. At the beginning of the year, it is very hard to know what your revenues are going to be during the year as it depends, to considerable extent, on the projects that happen to come in. You just don't know what those are going to be, how quickly they will be done, how big they will be, how much money they will generate. This year we had the uncertainties of the support that the Port Authority received through the City and the County that has not all been received. Mr. Jones said that the Port Authority is doing exactly what it should be doing, watching and controlling its expenditure activity and personnel to fit its revenues. Mr. Jones said that this is a very difficult process for port authorities and it is a process that the Port Authority has in common with other port authorities.

Jack Rouse indicated that he had to leave the Board meeting at this point and turned the meeting over the Vice Chairman Steve Love.

Balance Sheet – Ray Schafer then went over the balance sheet and asked if there were any questions. With no questions Mr. Schafer moved on to the statement of revenues, expenses, and net assets.

Statement of Revenues, Expenses, and Net Assets – Mr. Schafer reported that the first column is the month actual, the next column is year-to-date actual (August) that we break down into operations, projects, and total. This is followed by columns for the year-to-date (eight month) budget, and the amount and percent difference between actual and budget for August. Mr. Schafer said that when looking at the difference column at the bottom right hand corner of page 1, the Board will see revenue under budget by \$238,000. That amount is mainly due to the grants from the County and the City that we have not received but were projected. The remaining fluctuations are a question of timing in terms of when we are going to receive the funds. Mr. Schafer asked if there were questions on the revenues.

Mr. Schafer asked the Board to look at the expenses on the bottom right hand side of page 2. Mr. Schafer said that here you will see the total expense positive difference of \$148,000. We already talked about the most significant reason being the greater use of professional services due to lower staffing. The other line items we had discussed in terms of the request for a change in the appropriations. Mr. Schafer asked if there were any questions with regard to the expenses.

Betty Hull asked about the Other Consulting Services for \$245,000.

Ray Schafer said that this line item includes the \$225,000 Hull invoice expenditure on Kemper that was approved by resolution last month.

Eric Kearney asked if the Legislative Services is for a lobbyist.

Ray Schafer answered that the \$15,000 is for the lobbyist, Richards Consulting, and he stated that we will not be using that firm for the remainder of the year.

Ray Schafer then went to the net appropriations of \$90,000 at the bottom of page 2. This completed his review of the financial documents.

2004 Audit Report – Ray Schafer reported that the 2004 Audit update can be broken down into two major categories:

1. The auditors have requested that the Port Authority provide the following:
 - a. Prepare a newly required management document (per GASB 34) explaining the business of the audited entity.
 - b. Respond to questions from the auditor after they completed their internal review process.
2. The Port Authority has asked the auditor to provide the non cash entry for the Cincinnati Mills project.

Mr. Schafer reported that his target is to have something for the Board at the November Board meeting.

Economic Inclusion Report – Kim Satzger indicated that Deborah Robb will provide the Economic Inclusion Report.

Deborah Robb said that the Port Authority's project numbers for inclusion are relatively unchanged from last month. Ms. Robb also said that the Port Authority will be receiving the Cincinnati USA Supplier Diversity Circle of Excellence Award for going above and beyond in our efforts to promote economic inclusion which has benefited minority businesses. The award will be presented at the Cincinnati USA Chamber Regional Business Summit Luncheon to be held on Friday, October 28, 2005.

Otto Budig said that it is wonderful that the Port Authority is receiving this award and offered his congratulations to the staff.

VI. ADJOURNMENT

MOTION: Steve Love made a motion to adjourn the Board of Directors meeting. Otto Budig seconded the motion. The motion was passed unanimously.

The meeting was adjourned at 8:50 a.m.

Respectfully,

Kimberly Satzger
Secretary