

Local Development Finance Authority

A meeting of the Local Development Finance Authority was held on April 29, 2011 at 8:00 a.m. in the Municipal Complex, 200 N Lake Street, Cadillac, Michigan.

MEMBERS PRESENT: Jack Benson, Pat Briggs, Paul Liabenow, Jim Petersen,
Bill Tencza, Dennis Benson

STAFF PRESENT: Jeff Dietlin, Marcus Peccia, Owen Roberts, Keri Lanning

MEMBERS ABSENT: Steve Frisbie

The meeting was called to order at 8:05 a.m.

Keri Lanning, Deputy Clerk swore in Dennis Benson and Paul Liabenow to serve another term on the LDFA board.

REPORTS

Motion was made by Liabenow and supported by Petersen to approve the minutes from the meeting held on March 25, 2010.

Motion unanimously approved.

NEW BUSINESS

- **LDFA Annual Report**
Jeff Dietlin, Director of Utilities presented report for informational purposes. The report included financial statements and there were no comments.
- **Operational Update**
Dietlin presented a PowerPoint presentation that provided an overview of the LDFA program. Dietlin updated the board on the construction of the telemetry system which is currently out to bid.

Dietlin also discussed the general decommission of the SVE operation which will be out to bid this spring/summer.

Dietlin discussed special assessment renewal for LDFA, which would run fiscal year; 2012-2016.

Dietlin touched on a potential cost saving program by bidding out collection of samples for VOC.

- LDFA Annual Budget

Owen Roberts addressed the board in regard to the current budget and also wanted the boards input regarding the balance of the fund account. What should the money be used for and what is the future use of these funds?

General discussion ensued and it involved; closure costs and hiring an environmental consultant to evaluate the current conditions and what direction we should be going into and those related costs. Also, would a 5 year assessment be necessary should the board look into a 3 year or less assessment to cover costs.

Miller Canfield had originally outlined what the LDFA board could appropriate the funds to go to. Owen Roberts will locate that document and talk to Miller Canfield regarding this matter.

Motion was made to solicit bids for environmental consultant to assess current conditions, advise on closing costs and recommend the direction to take by J.Benson and supported by Petersen. Motion was approved unanimously.

Suggestion was made to create a committee to write up the RFP needed for the environmental consultant.

Motion was made by Briggs to adopt the annual budget as presented with respect to reserves withheld for consultant and supported by J. Benson. Motion was approved unanimously.

*Bill Tencza left the meeting at 9:28 a.m.

Marcus informed the board of the phone call that Dietlin received from Rec Boat to initiate a meeting in May with their attorney to discuss the special assessment district and the possibility of including Rexair into the LDFA district.

*Pat Briggs left the meeting at 9:30 a.m.

Marcus spoke of getting a small group together to informally meet with Rec Boat to discuss the background of the LDFA and the purpose it was initially intended.

Motion to adjourn the meeting by D. Benson, supported by Petersen. Motion was approved unanimously at 9:35 a.m.

CITY OF CADILLAC, MICHIGAN
2012-2013 ANNUAL OPERATING BUDGET
Local Development Finance Authority Operating Fund

Fund: Local Development Finance Authority Operating Fund

Type: Component Unit - Special Revenue Fund
Oversight: Director of Utilities

Nature and Purpose:

The Local Development Finance Authority (LDFA) established an operating fund which reflects the operational costs of the groundwater cleanup process in the industrial park. This fund has a sole source of revenue which is the special assessments paid by the industrial community within the contaminated area. In 2007 the City Council approved the next multi-year assessment. The cleanup process of the groundwater is a benefit to the industrial park area and is not intended to identify any plant or organization as contaminating the groundwater but instead presents a positive solution to an existing challenge. The City Council approves the special assessment roll based on acreage owned by a property owner which establishes a corresponding percentage of the total operational costs to effectively monitor the clean-up. Fiscal year 2013 will be the seventeenth full year the plant has been in operation.

FUNDING SUMMARY	FY2011 Actual	FY2012 Estimated	FY2012 Adopted	FY2013 Proposed
Revenues				
Tax Revenue	\$219,227	\$219,000	\$219,000	\$219,000
Interest Income	17,269	16,000	25,000	25,000
Surplus	0	29,700	36,500	41,300
Total	\$236,496	\$264,700	\$280,500	\$285,300
Expenditures				
Salaries and Wages - Regular	\$16,589	\$17,000	18,500	18,500
Fringes	6,981	8,500	9,200	9,000
Operating Supplies	10,432	11,000	11,500	11,500
Chemicals	99	200	200	200
Contractual Services	5,255	27,000	27,200	27,200
Legal Contractual Services	0	8,500	9,500	9,500
Audit	850	500	900	900
Contracted Lab Costs	51,755	50,000	45,000	45,000
Utilities	142,375	130,000	125,000	130,000
Repair & Maintenance	7,630	12,000	15,500	15,500
Carbon	0	0	3,000	3,000
Engineering Fees	0	0	15,000	15,000
Total	\$241,966	\$264,700	\$280,500	\$285,300
Fund Balance				
Net Change in Fund Balance	(\$5,470)	(\$29,700)	(\$36,500)	(\$41,300)
Fund Balance - Beginning of Year	1,733,923	1,728,453	1,698,753	1,698,753
Ending Fund Balance	\$1,728,453	\$1,698,753	\$1,662,253	\$1,657,453

↑
*add 50K for
 closure study*

→ *needed for closure*

CITY OF CADILLAC, MICHIGAN
2012-2013 ANNUAL OPERATING BUDGET
Local Development Finance Authority Operating Fund

System Information

The purge and treat system was constructed during 1995 and 1996 with start-up in September of 1996. System design includes a chromium removal process and dual stage air stripping for volatile organic chemical (VOC) removal. Maximum design flow for the treatment system is 3.2 million gallons per day (MGD). During 2009 the daily average was 2.4 MGD. Treated groundwater is discharged to the Clam River near the old Lake Cadillac dam.

Groundwater is pumped from 18 purge wells located in two defined water bearing formations referred to as the upper and intermediate aquifers. In 1996, influent VOC concentrations exceeded 600 parts per billion (ppb). Last year, influent VOC concentrations were just below 200 ppb. (One part per billion is approximately equal to one second in 32 years.) Chromium concentrations have been reduced to clean-up criteria and the Environmental Protection Agency (USEPA) has been petitioned for closure of the chromium treatment process.

Board of Directors:

Marcus A. Peccia - Chairperson	City Manager, City of Cadillac
Jack Benson	Retired Bank President
Paul Liabenow	Superintendent, Cadillac Area Public Schools
Steve Frisbie	Owner, Frisco Management
Bill Tencza	President, Cadillac Area Chamber of Commerce
Jim Petersen	Retired Bank President
Pat Briggs	Assistant Superintendent of Operations and Personnel, Cadillac Area Public Schools
Denny Benson	Local Attorney
Vacant	Wexford County Commissioner

Fund Financial Highlights

Fund Balance

Fund Balance is reserved for capitalized interest and assessment shortfalls. The Special Assessment is calculated at a level that covers all operating costs, which include all of the above except Contractual Services, Legal Contractual Services, Carbon, and Engineering Fees.

Engineering Fees

In FY2012, it is anticipated that the Soil Vapor Extraction site will be closed. The USEPA has granted clearance for this to take place, and the project is anticipated to begin in spring 2012.

CITY OF CADILLAC, MICHIGAN
2012-2013 ANNUAL OPERATING BUDGET
Local Development Finance Authority Operating Fund

L.D.F.A. Groundwater Treatment Statistics

Volume of groundwater pumped and treated:

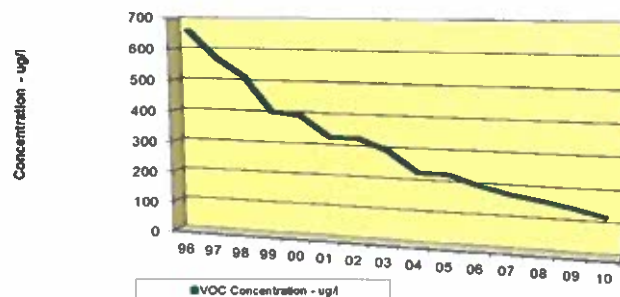
Year	Gallons	
	Per Day	Per Year
2002	2,315,100	845,000,000
2003	2,331,500	851,000,000
2004	2,407,100	878,600,000
2005	2,339,300	853,850,000
2006	2,387,000	871,400,000
2007	2,422,000	884,190,000
2008	2,401,700	857,000,000
2009	2,405,479	878,000,000
2010	2,400,000	876,000,000
2011	2,360,000	861,600,000



LDFA Water Treatment Facility

Year	Estimated pounds of volatile organics stripped from the water (per year):	Hours spent in Operation and Maintenance
2002	2,322	890
2003	2,090	940
2004	1,715	970
2005	1,673	830
2006	1,453	940
2007	1,305	1,140
2008	1,195	1,014
2009	1,067	819
2010	899	800
2011	762	950

LDFA GWTP - Influent VOC Concentration



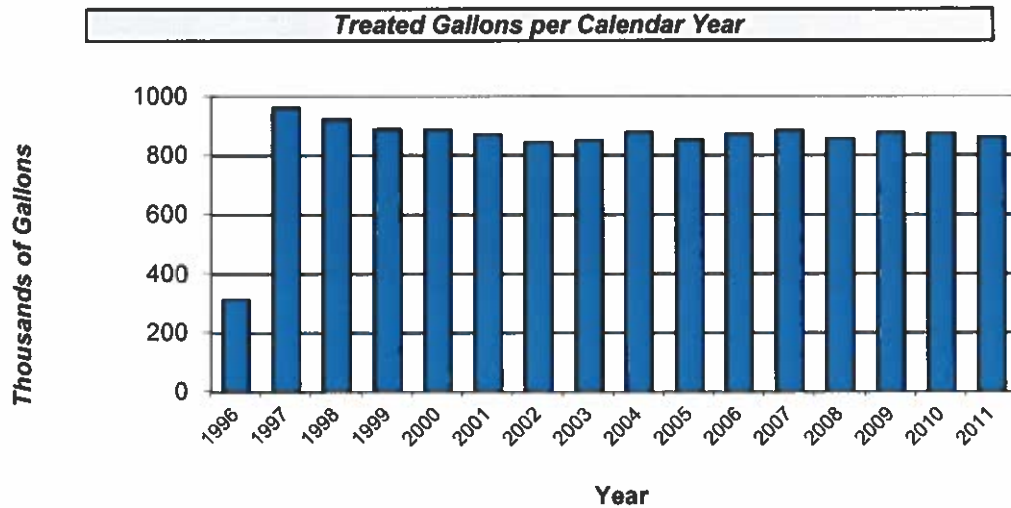
CITY OF CADILLAC, MICHIGAN
2012-2013 ANNUAL OPERATING BUDGET
Local Development Finance Authority Operating Fund

Other L.D.F.A. Groundwater Treatment Details



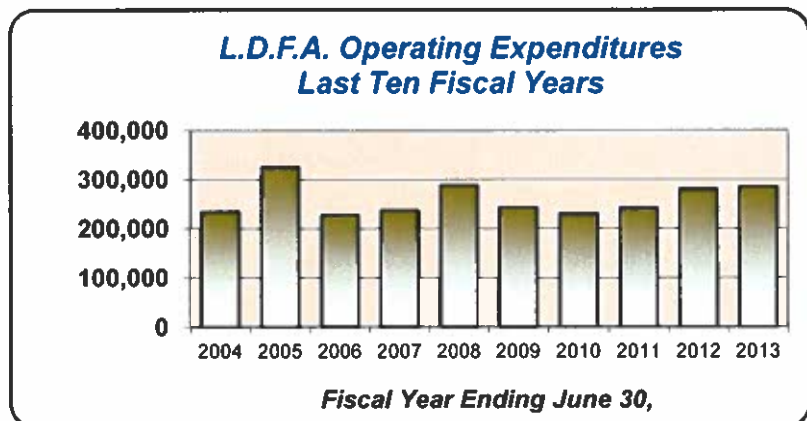
* More than 13.5 billion gallons of water have been treated since the inception of the program.

* VOC distribution in the LDFA discharge has been below detection limit since the beginning of the program in 1996.



Expenditures

The costs of operating the LDFA treatment facility have remained relatively consistent since the beginning of the treatment program.



CITY OF CADILLAC, MICHIGAN
2012-2013 ANNUAL OPERATING BUDGET
Local Development Finance Authority Capital Projects Fund

Fund: Local Development Finance Authority Capital Projects Fund

Type: Component Unit - Capital Project Fund

Oversight: Director of Utilities

Nature and Purpose:

This fund accounts for tax increment finance revenues (TIF) collected on behalf of the LDFA after debt service requirements have been met. The TIF revenues are restricted for capital investments, and this fund will help ensure that the restricted funds are used only for allowable purposes.

The debt service for the groundwater treatment infrastructure in the LDFA district was paid in full in FY2006. For the next couple of years, the TIF revenues were deposited in the operating fund of the Local Development Finance Authority. Because of the restrictions on the use of the funds, it was determined that establishing this fund would be the best way to account for them.

FUNDING SUMMARY	FY2011 Actual	FY2012 Estimated	FY2012 Adopted	FY2013 Proposed
Revenues				
Tax Increment Financing Revenue	\$103,616	\$105,000	\$95,000	\$120,000
Interest Income	12,568	10,000	7,500	10,000
Surplus	0	0	0	0
Total	\$116,184	\$115,000	\$102,500	\$130,000
Expenditures				
Audit	\$450	\$500	\$500	\$500
Construction	0	100,000	100,000	0
Total	\$450	\$100,500	\$100,500	\$500
Fund Balance				
Net Change in Fund Balance	\$115,734	\$14,500	\$2,000	\$129,500
Fund Balance - Beginning of Year	497,661	613,395	613,395	627,895
Ending Fund Balance	\$613,395	\$627,895	\$615,395	\$757,395

Tax Increment Finance Revenues

Tax increment finance (TIF) revenues collected by Cadillac's LDFA are restricted for capital projects. There is ongoing tax capture after the debt service requirements have been fulfilled which is accounted for in this fund. Accounting for them in a separate fund segregates them for capital purposes in compliance with the TIF plan. Details of the TIF capture are presented on the next page.

DEQ -
Don't Ever Question
her Les Hawley

CITY OF CADILLAC, MICHIGAN
2012-2013 ANNUAL OPERATING BUDGET
Local Development Finance Authority Capital Projects Fund

LDFA Groundwater Treatment System

Anticipated Capital Needs

The LDFA telemetry system will be replaced in FY2012. The project will be funded using TIF funds and is expected to cost approximately \$100,000.



LDFA Treatment Facility

Constructed in 1995 and 1996, the groundwater treatment system started up in September 1996, and has since treated over 9 billion gallons of groundwater.

LDFA Operating Fund

All operations of the treatment facility are covered by a special assessment. This activity is accounted for in the LDFA Operating Fund.

Source of Tax Increment Financing Revenue

The Local Development Finance Authority captures taxes in the LDFA District as follows:

	<u>Ad Valorem</u>	<u>IFT</u>	<u>Total</u>
Total LDFA District Taxable Value	\$2,440,332	\$5,279,725	7,720,057
Base Value	(551,400)	0	(551,400)
Captured Value	\$1,888,932	\$5,279,725	\$7,168,657

		<u>Capture</u>		
		<u>Ad Valorem</u>	<u>IFT</u>	<u>Total</u>
Taxes Captured:	Millage			
City Operating	13.94730	\$26,346	\$36,819	\$63,164
Police and Fire Retirement (City)	2.60000	4,911	6,864	11,775
Lake Cadillac Treatment (City)	0.50000	944	1,320	2,264
Wexford County Allocated	6.77970	12,806	17,897	30,704
Wexford County - Recreation	0.25000	472	660	1,132
Wexford County - Animal Control	0.25000	472	660	1,132
Wexford County - Road Patrol	0.95000	1,794	2,508	4,302
CWTA	0.60000	1,133	1,584	2,717
Cadillac-Wexford Public Library	0.75000	1,417	1,980	3,397
Council on Aging	0.99760	1,884	2,634	4,518
Total Taxes Captured	27.62460	\$52,181	\$72,925	\$125,106

Note: Captured taxes are calculated by multiplying the millage rate by the captured value. The millage rate must first be divided by 1000, as one mill is equal to \$1 in taxes per \$1,000 in taxable value. IFT parcels receive exemptions of 50% of taxes. Total City-wide taxable value is \$243,000,000. The LDFA captures about 0.8% of the ad valorem tax roll, and an additional 23% of the IFT tax levy.

CITY OF CADILLAC, MICHIGAN
2012-2013 ANNUAL OPERATING BUDGET
Local Development Finance Authority Utilities Fund

Fund: Local Development Finance Authority Utilities Fund

Type: Component Unit - Enterprise Fund
Oversight: Director of Utilities

Nature and Purpose:

The Local Development Finance Authority (LDFA) developed a deep well to provide cooling water for the Power Plant. This water is untreated and can be used only for industrial purposes. Water is also available from the LDFA Groundwater Treatment Plant for the same purposes.

Revenue from the sale of water is used to pay for the cost of providing the water. The rates are established by the LDFA and are not part of the City's Utilities Ordinance.

The LDFA contracts with the City Utilities Department to provide operational and maintenance expertise.

FUNDING SUMMARY	FY2011 Actual	FY2012 Estimated	FY2012 Adopted	FY2013 Proposed
Revenues				
Water Revenue	\$20,371	\$19,000	\$19,500	\$19,500
Interest Income	2,548	2,500	3,000	3,000
Total	\$22,919	\$21,500	\$22,500	\$22,500
Expenditures				
Salaries and Wages - Regular	\$2,573	\$3,000	\$3,000	\$3,000
Fringes	1,069	1,300	1,500	1,500
Operating Supplies	0	500	500	500
Contractual Services	0	4,500	4,500	4,500
Audit	450	400	400	400
Depreciation	4,535	4,600	5,000	5,000
Total	\$8,627	\$14,300	\$14,900	\$14,900
Net Assets				
Change in Net Assets	\$14,292	\$7,200	\$7,600	\$7,600
Total Net Assets - Beginning of Year	384,885	399,177	399,177	406,377
TOTAL NET ASSETS - END OF YEAR	\$399,177	\$406,377	\$406,777	\$413,977

Fund Highlights

Net Assets

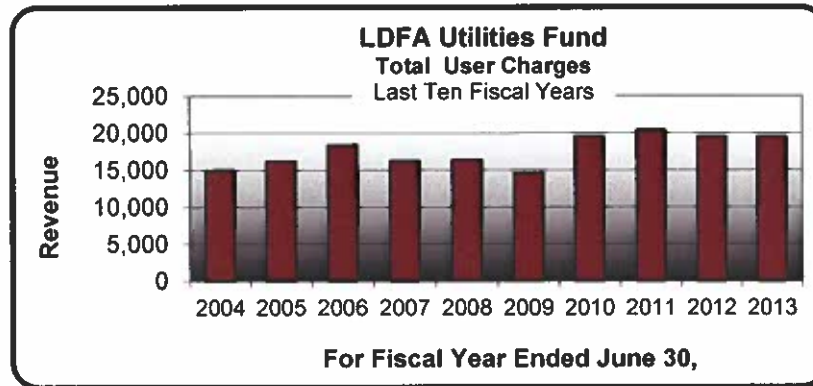
Available net assets will be used to assist in replacement of the well and funding major system repairs.

CITY OF CADILLAC, MICHIGAN
2012-2013 ANNUAL OPERATING BUDGET
Local Development Finance Authority Utilities Fund

Fund Highlights

Revenue

The customer water rate is tied to the electrical rate Consumers Energy pays for wholesale power. Only one customer is served, Cadillac Renewable Energy, and they provide the electrical energy for the well operation.



System Statistics & Measures

Volume of Water Pumped	
Year	Gallons
2002	162,571,000
2003	168,144,588
2004	152,780,000
2005	140,912,000
2006	148,930,000
2007	123,957,000
2008	147,034,000
2009	134,265,000
2010	109,877,000
2011	130,352,000



LDFA well house (foreground) with Cadillac Renewable Energy in background



LDFA Well

Hours spent in operation and maintenance	
Year	Hours
2002	122
2003	115
2004	170
2005	134
2006	125
2007	175
2008	151
2009	110
2010	127
2011	126