



Rochester Hills

Minutes - Draft

Local Development Finance Authority

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*Jeremy Brown, Michael Damone, Michael Ellis, Daniel Hunter, Darlene Janulis,
Michael Kaszubski, Rophin Paul, Stephan Slavik, Doug Smith (OCC), Jessica Thomas (RCS)*

Thursday, July 18, 2019

7:30 AM

1000 Rochester Hills Drive

CALL TO ORDER

Chairperson Stephan Slavik called the Special Meeting to order at 7:30 a.m. in Conference Room 221.

ROLL CALL

Present 8 - Michael Damone, Darlene Janulis, Jeremy Brown, Daniel Hunter, Michael Kaszubski, Stephan Slavik, Doug Smith and Jessica Thomas

Excused 2 - Michael Ellis and Rophin Paul

Quorum present.

Also present:

Paul Davis, Deputy Director DPS/Engineering

Joe Snyder, Chief Financial Officer

Laurie Taylor, Assessing Director

Pamela Valentik, Economic Development Manger

Mary Jo Pachla, Recording Secretary

APPROVAL OF MINUTES

[2019-0309](#) February 28, 2019 Special Meeting

Ms. Janulis requested changes to page 3, paragraph one under 2010-0462, noting that the sentence beginning in the seventh line should be changed to read "They would rather that the costs be overestimated than underestimated."

She also requested that a change be made to page 6 to have the second paragraph, first sentence, begin "Mr. Damone wondered how much revenue would be generated".

The Minutes were approved as amended, with the above changes noted.

A motion was made by Janulis, seconded by Slavik, that this matter be Approved as Amended. The motion carried by the following vote:

Aye 8 - Damone, Janulis, Brown, Hunter, Kaszubski, Slavik, Smith and Thomas

Excused 2 - Ellis and Paul

Resolved, that the minutes of the Local Development Finance Authority Special Meeting of February 28, 2019 are approved as amended.

COMMUNICATIONS

Ms. Valentik noted that she would like to share three updates on activities since the Board's last meeting. She mentioned that she had shared at the February meeting that she would be attending Automate in April, a trade conference specifically for the robotics and automation industry held in Chicago. She noted that the conference was very well attended; and was run by AIA, located outside of Ann Arbor. She explained that this conference is held every two years and commented that there is strong representation by economic developers. She mentioned that Oakland County, the Michigan Economic Development Corporation (MEDC), and a number of other cities were in attendance, and FANUC had the largest presence there. She noted that while at Automate, she had an opportunity to meet with the show's marketing director, who informed Ms. Valentik that Automate will be moving from Chicago to Detroit. She commented that this is very exciting news for the region as it has been in Chicago for the last twenty-plus years.

She pointed out that the Robotics and Automation Industry is one of the targeted industries that the City already has such a strong supply chain in; and she stated that it is desirable to attract more companies within the supply chain to support that industry here. She noted that the City does what it can to promote the region jointly with the partners of Oakland County and the MEDC.

She stated that a number of opportunities were discussed, including the possibility of providing a shared booth at the event or doing some sponsorship. She mentioned that she has already spoken with the President of FANUC and stated that they are interested in developing some type of event or joint program in the area and perhaps in Rochester Hills that would continue their large presence at the show and bring recognition to the area.

Chairperson Slavik questioned whether the show would be kept in the same date range.

Ms. Valentik responded that the show will be moving to May 17-19, 2021 and be held in downtown Detroit.

She noted that another update she wished to share with the Board is relative to last fall's business attraction and expansion trip made by she and Mayor Barnett to Germany and France. She mentioned the announcement of KOSTAL's property purchase and plans to build a new facility; and she commented that another successful story has come from that trip. She explained that privately-owned French company AdduXi has expanded and moved into a larger building; and within that building opened up what they are calling "The French Corner". She stated that The French Corner is in essence an incubator specifically for small-to-medium sized businesses in France that are looking to test the US market, but are perhaps not yet ready to sign on their own lease and occupy their own space. She noted that AdduXi has made a number of offices available in their own building on Technology Drive for

businesses that are looking to try and tap the US market. She stated that five companies have already committed to the location, and AdduXi anticipates that by year-end they will have ten companies operating in that space. She commented that this is very exciting news. She mentioned that their grand opening was attended by Business France, the General Counsel of France; and noted that the project is already getting a lot of attention. Business France stated in an article that it is the only facility they know of in the entire United States providing this informal soft landing space for French companies to be with other French companies as they test the US market. She pointed out that the project came from building a good relationship with AdduXi in France; and she commented that hopefully some of the small businesses will grow into large businesses and opt to secure their own space here in Rochester Hills.

She stated that as many already know, Mayor Bryan Barnett was inaugurated as the 77th President of the United States Conference of Mayors last week. Today there will be a special ceremony in the area to allow those who were not able to attend the Annual Meeting an opportunity to celebrate his inauguration. She commented that this is a big accomplishment for the City of Rochester Hills and for Mayor Barnett. She mentioned that the business community is already excited about the opportunities that his position provides to the community and to the businesses, giving a voice at the national level to any issues.

Mr. Smith pointed out that FANUC was one of the main reasons that Automate will be coming to Detroit. He stated that it is a good opportunity. He mentioned that the three largest companies are located in the area with Kirko, FANUC and ABB. He suggested that a golf outing for CEOs and executives at the course that hosted the US Open could be a great opportunity to showcase Oakland County. He noted that conversations have been held with Paul Aiello regarding providing tours of area trades, perhaps welding and automotive servicing. He commented that the whole robotics area is actually done by FANUC. He mentioned that any golf course outing dates should be locked up now for May.

Mr. Hunter added that there are a few other robotics companies that have undertaken major expansions at the other end of the county, including Nachi Robotic and Kawasaki. He commented that the event was in Metro Detroit 25 years ago; however, issues with Cobo Hall led them to leave.

Ms. Valentik stated that it was done jointly at one time with ProMat, the material handling side; however, the Automate side of the show had grown so much that there was a need to separate the shows. She stated that FANUC, along with Yaskawa Motoman in Rochester Hills has a strong presence. She mentioned that Rophin Paul and she were to meet up in Chicago; however, he had a pressing issue with a customer and was unable to meet. She commented that FANUC is by far the largest robotics producer.

Mr. Smith commented that FANUC does almost 80 percent of the world's robots.

Ms. Valentik continued that discussions have been held with FANUC

representatives regarding some type of event that would bring people to Rochester Hills, perhaps hosting an event at their facility. She commented that she is sure that such an event would have a good attendance as many of the integrators in the supply chain have FANUC robots within their exhibits. She mentioned that connecting with the schools would be important, both K-12 or upper levels, as talent will be such a big issue for these companies and integrators would see that the area has good school systems.

Mr. Smith mentioned that it would be a good opportunity to reach out to Macomb and have the two counties work together in the automation and defense industry.

Mr. Hunter commented that KUKA Robotics is big in Macomb County.

Ms. Valentik noted that Macomb County representatives attended the show. She stated that she set up a meeting while at Automate to talk about the Detroit 2021, attended by Will Butler from the Detroit Regional Partnership, John from Oakland County, a representative from Southfield and from Oak Park. She noted that she would keep the Board posted about this exciting 2021 event.

NEW BUSINESS

2019-0311 LDFA 2020-2022 Proposed Budget

Ms. Valentik introduced Joe Snyder, Chief Financial Officer. She noted that there have been some discussions recently with the LDFA regarding its current fund balance, anticipated revenues, the duration of the LDFA, and a need to identify some key capital projects for investment of LDFA funds over the next five years. She stated that the projects have been identified and prioritized, and she commented that two projects are included in the budget for 2021.

Mr. Snyder reviewed the proposed budget notes, noting that for revenues, taxes generated have been doing very well. He explained that the jump from 2018 to 2019 was the result of the impact of Molex and Jenoptik. A gain in revenues is projected for 2020 with the completion of the Molex property. He noted that the good gains on the tax side flow through the municipal contributions from Oakland County, the Community Colleges and Library Operating. He mentioned that there is a 40 percent increase in interest revenues; however, as the Federal Reserve may be cutting interest rates soon, investment rates are being locked in as much as possible over two percent to avoid any impact if rates are lowered. He pointed out that the 2019 projected numbers were low and are expected to go up. He explained that \$37,000 was projected for 2019 interest revenues, and stated that through the first six months of 2019 \$36,000 has been generated in interest revenues.

He pointed out that there is zero fund balance required for 2020.

He reviewed expenses, noting that it is estimated that \$563,000 will go into LDFA fund balance for the year. He stated that expenditures include personnel services for a portion of Ms. Valentik's time, minor expenditures for operating supplies, professional services, and contractual services. He explained that

\$403,000 in contractual services for 2019 included the balance of the infrastructure work on the Jenoptik property. If not spent in 2019, this amount will be carried forward into 2020; and he noted that the funds are allocated and will be available when needed. He mentioned that budgeted amounts for travel and seminars, and printing and publishing amounts are status quo year to year.

He explained that the LDFA's main project for 2020-2021 is the reconstruction of Waterview. Preliminary engineering for Waterview is projected for 2020, with full reconstruction in 2021. Preliminary engineering for Old Adams and Forester will be undertaken in 2021, with anticipated construction in 2022.

He reviewed the LDFA fund balance over the last 20 years, noting that the peak for fund balance occurred in 2017 at almost \$4 million. 2018 audited actual fund balance was \$2.3 million, with the decrease being due to Hamlin Road. He mentioned that when LDFA was asked for funds for Hamlin Road, it was noted that LDFA funds could not be used for Livernois and Auburn, currently under construction. He stated that the LDFA's contribution to help the City out with Hamlin Road helped to free up the City's Major Road dollars to allow for advance construction of Livernois, which was originally on the Road Commission's schedule for two years out. Auburn Road is currently under full construction. Both projects are expected to be completed in October, or slightly later for Auburn Road. He expressed his appreciation to the LDFA for responding to the City's request for funds.

Ms. Thomas commented that Rochester Community Schools hope that the Livernois project is completed on time, as it is affecting the bus structure.

Mr. Snyder noted that LDFA fund balance will increase over the next two years, and will then decrease in 2021 as a result of the Waterview Project, and again in 2022 for Old Adams and Forester. It will increase again in 2023. The project slated for 2024 would be Leach, and for 2025 would be a few projects going along with Industrial Drive.

Ms. Janulis commented that the projected schedule has not changed over the last two LDFA meetings.

Mr. Snyder responded that the numbers are improving.

Mr. Smith commented that revenue projections appear to be conservative.

Mr. Snyder responded that the revenue and expenditure projections are conservative to ensure that what is proposed in the budget can be delivered.

Mr. Damone questioned whether there will be enough reserves should an opportunity present itself down the road.

Mr. Snyder responded this was taken into consideration when discussing what projects should be undertaken in the various years. He noted that the LDFA board has opted that fund balance should not drop below \$1 million for that very reason. He pointed out that in the long-term projection, only in 2025 is fund

balance projected to be \$896,000. He stated that with the conservative projects, and after construction Waterview, Old Adams and Forestry, the fund will still be at \$1.2 million. He mentioned that there have been conversations regarding Leach Drive, as the gravel section is a Local Street. He stated that there has been discussion that if all of Leach was paved, there could be the possibility of requesting that it be transferred to be all Major Road. He pointed out that a Major Road generates higher levels of Act 51 dollars than a Local Street.

Mr. Davis commented that even if Leach were an LDFA project, not everyone is in agreement with its priority. He noted that at the Council level, because it is a gravel road there is some thought that it should go through the Special Assessment District (SAD) process. He explained that the SAD process is generally used for residents that have requested a means to pave their subdivision roads from gravel to pavement. He noted that there has also been discussion as to whether that should apply to a road such as Leach, and the residents and business owners should go through that process in order to have it paved. He noted that from the City's standpoint there is a desire to pave gravel roads, as they require grading and chloride treatments multiple times during the summer. He stated that from his standpoint, he would like to see it paved; however, he understands that Council has an SAD Policy that some members would like to see followed for Leach even if LDFA were willing to fund the City's local share. With the City's SAD Policy, 60 percent of the cost would be covered by the property owners fronting the road.

Mr. Smith noted that there are very few businesses and homes along Leach, and once paved it will become a major connecting road.

Ms. Janulis questioned whether there would be any negative reaction from residents who would like that road to remain gravel.

Mr. Davis noted that SADs are typically initiated by property owners, and the City looks for petitions to be submitted in support. The current threshold is 60% +1 must show support to initiate the process. It would then proceed to a point where Council would decide whether the process would continue. He commented that while the other projects are also high priority, he would like to see Leach paved.

Ms. Valentik stated that Leach has made its transition from residential to commercial, and only approximately five residences remain with the rest acquired by businesses. She noted that Leach has been looked at for its opportunity for redevelopment to attract a business to the area.

Mr. Brown requested an explanation of the Contracted Services included in the budget that has been removed going forward.

Mr. Snyder responded that \$403,000 was included in the 2019 budget for the development of infrastructure on the Jenoptik property. As a part of negotiations with Jenoptik, the City stated that it would contribute up to a maximum set amount toward running water lines and infrastructure on the property. To date, Jenoptik has developed one of the parcels. When Phase 2

proceeds for the adjacent parcel, any infrastructure required on that parcel would come from the remaining \$403,000.

Mr. Brown commented that LDFA funds were used approximately two years ago to clear that property of asphalt that the City had dumped there following various paving projects, and questioned whether any reserve funds from those amounts would be returned to the LDFA.

Ms. Valentik responded that the property encompassed approximately 15 acres of land that the City owned within the LDFA district. Approximately \$750,000 was placed in the budget at the time that would be used for any type of improvements or marketing that would contribute to the City's ability to sell that site to a company. Once Jenoptik was identified, the City offered \$500,000 in negotiations of the purchase agreement that would be made available to cover any improvements, modifications and site clearing. She noted that there were some expenses which including undertaking a Phase 1, tree removal, and cleaning up of debris on the site. She stated that the LDFA and its budgeted monies would be used for any of those activities; and it was not the intent that the City would reimburse the LDFA for those expenses.

Mr. Smith pointed out that without providing that improvement to the property, Jenoptik might not have agreed to come to the city.

Mr. Davis noted that the funds used to purchase that property when it was considered as a joint property with the Rochester Community School came out of Water and Sewer funds. He noted that the City never fully recovered the investment to the Water and Sewer Fund.

Mr. Brown questioned whether the money was leaving the LDFA budget and going over to the City's budget.

Mr. Snyder responded that monies coming out would be the LDFA paying the contractor providing the land cleanup and infrastructure work. He explained that monies going into Major Roads are transferred to the City; however, these funds are directly expensed for any work.

Chairperson Slavik asked if there were any additional questions on the budget. Seeing none, he requested a motion for approval.

Mr. Damone moved, supported by Mr. Hunter, the motion provided in the Agenda Packet.

A motion was made by Damone, seconded by Hunter, that this matter be Approved. The motion carried by the following vote:

Aye 8 - Damone, Janulis, Brown, Hunter, Kaszubski, Slavik, Smith and Thomas

Excused 2 - Ellis and Paul

Whereas, in accordance with the provisions of Public Act 2 of 1968, Public Act 621 of 1978, the Uniform Budgeting and Accounting Act for Local Government, the Special Appropriations Act pursuant to PA 493 of 2000, and Section III of the Charter for the City of Rochester Hills, the Mayor, as the Chief Executive Officer, prepared the proposed

budget for the ensuing year and submitted it to the LDFA Board for its July 18, 2019 meeting; and

Resolved, that the following Local Development Finance Authority budget for the City of Rochester Hills is approved and ready for submittal to the City Council for final adoption for Fiscal Year 2020.

ANY OTHER BUSINESS

Jessica Thomas introduced herself as the appointed representative to the LDFA from the Rochester Community Schools (RCS). She stated that she has a background in governmental accounting and has done restructuring work with municipalities. She noted that she is in the Business Office at RCS.

The LDFA members welcomed Ms. Thomas.

Mr. Davis provided a construction update of the various projects undertaken this year. He noted that the City has received three proposals to perform the next update to the Master Thoroughfare Plan. The Plan will encompass a year-long process and a public participation endeavor, with individual meetings set up to gain public input. He mentioned that Ms. Janulis was a part of the process eleven years ago. He explained that the next step will be to select a consultant from the proposals after which the work will begin. He stated that the Plan process will be to review the City's focus for the next decade for road improvements, and determine whether the needs are and where to best spent the funds available.

He highlighted Auburn Road, noting that the project is a large investment by the City to improve a half mile of the business corridor. He stated that he and Ms. Valentik have had a number of meetings with the two contractors actively working in the corridor. One contractor is paving the alleys and constructing two municipal parking lots that the City will own and maintain. Work on the north alley work is moving well, and fencing is going in around the larger municipal parking lot between Eastern and Harrison behind Johnny Black's Public House. He noted that lafrate Construction is doing the road reconstruction for Auburn, which had a slow start due to the rain, but is now progressing quickly. He stated that both projects should be finished by November, with the alley work complete by mid-August. He commented that the City will be working closely with the contractors to ensure that students walking and being bussed to the middle school will be accommodated. He noted that the project only allows eastbound traffic on Auburn; and he stated that this will continue for the project's duration, with detours to Hamlin Road, South Boulevard, or M-59. He mentioned that the Livernois Road project allows only northbound traffic, which will continue for the remainder of that project to its expected completion in November.

Ms. Thomas commented that 124 busses go out which will be quite the challenge for fall. She mentioned that RCS is constructing a new transportation center. She stated that RCS collaborated with the City to ensure that it will be able to use the loop to move northward on Livernois.

Ms. Janulis mentioned that when the Livernois boulevard was first completed,

and RCS bought 40-passenger busses, they could not make the turn to go northward.

Mr. Davis continued that the Road Commission for Oakland County (RCOC) will be working on Dequindre Road, extending a five-lane section just north of Auburn Road. He explained that the project is still in the right-of-way acquisition phase, with RCOC condemning some properties to keep the project on schedule. The project's expected date for construction is next summer.

He stated that reconstruction of the Avon Road bridge crossing the Clinton River between the two Dequindre Road sections has received funding assistance for 2021. The road will have total closure for approximately four months. He reported that the City met with Yates Cider Mill representatives, as the project will impact them. He stated that it is hoped to coordinate the project with the Great Lakes Water Authority and a major effort to replace a 96-inch watermain; however, that project has been delayed somewhat and may result in two projects for that corridor rather than one.

He mentioned that the City's internal projects for subdivision work have gone well, and School Road is under construction. He stated that he has been asked what the City's worst roadway is, and he explained that they are keeping an eye on Hamlin between Adams and Crooks Roads. He pointed out that Livernois Road is being reconstructed because of failed joints, with repairs failing worse than the original joints and chunks of concrete being pulled out by snow removal equipment. He commented that the deterioration on Hamlin Road is similar to that of Livernois. He stated that the curbing is in good shape, along with most of the concrete; however, the joints are failing. He noted that the City applied for funding for that road and the response was that the road did not rank poorly enough at this time.

Chairperson Slavik noted that he observed engineers surveying along Crooks Road north of Hamlin.

Mr. Davis responded that this was a part of pathway work. He pointed out that a deteriorated historic home was torn down; and he noted that prior to that the City required a pathway be provided on that property. He commented that the City had a late start with construction activities and was so busy this summer that it opted to forego the pathway rehabilitation project for this year. Plans are to design a new pathway by the historic property on Crooks, along with the hopes to construct a pathway for continuous access to the Clinton River Trail on three properties south of Bonnie Brae. He pointed out that not all the easements have been acquired yet.

He noted that Adams Road was recently resurfaced up into Oakland Township, and he mentioned that Adams is one of the corridors to be reviewed in the Master Thoroughfare Plan. He stated that Oakland University is looking to help improve that corridor and long-term improvement is sought.

NEXT MEETING DATE

October 10, 2019 - 7:30 a.m.

ADJOURNMENT

There being no further business to discuss, Chairperson Slavik adjourned the meeting at 8:25 a.m.

Minutes prepared by Mary Jo Pachla.

Minutes were approved as presented at the October 10, 2019 Regular Local Development Finance Authority Meeting.

Stephan Slavik, Chairperson