

Red Wing Mayor's Blue Ribbon Panel on Economic Development
Meeting Location: Indigo Room - 3rd Floor of the Indigo Building, 325 Main St.
Minutes of May 24, 2010

Members Present: Scott Wordelman, John Becker, Dan Massett, Carolyn Hedin, Kathy Radmer, Gary Iocco, Denny Tebbe, Dennis Egan, Linda Thielbar, Scott Adkisson, Duffy Schafer, Jim Johnson, Donna Anderst

Absent: Kenneth Bush and Michael Murphy

Dennis introduced Port Authority staff and reviewed how questions were paired down for presentation by the Port. Scott spoke to giving the Port respect to respond to questions and requested the audience hold questions until the panel is done.

Port Board President Tom Brown thanked the panel for allowing them to present. He spoke to learning a great deal about the Port over his term as a board member. He read the Port's mission statement. He introduced the presentation and explained the presentation process.

Port Authority Director Myron White began his presentation by reviewing investments the Port makes and what kind of development that can be expected from the strategic investment. He reviewed the Port's "Downtown Projects" as identified in the PowerPoint (ppt). Some of the projects listed were the building that houses the Christian Book Store, L & K Hobbs building, Creative Clips, Joes Mobil, the Ehlers building, Warden building (houses the Chamber), the parking lot project, Running's, Koplins Market, Studebaker Ramp-done in close conjunction with DTMS, Easy Own Furniture Store, RW Shoe Store, Financial Marketing Solutions, Dr. Valliant, RW Dental, and etc.

He then reviewed projects in the industrial park: Capital Safety, the former Daco building, Central Research Labs, Mactech, Stencil Cutting-AIM, Automated Equipment, Food Service Specialties, Hove Medals, Hydrotight, RW Pottery, Abra, Coordinated Business System, Mississippi Welding Supply, Norwood Promotional Products, Hwy 61/19 property, RW Software, River Valley, Bulkhead on Hwy. 61 South, Hwy. 61 South USG Manufacturing facility, RW Gain leases, ADM, leased prop with Bills Bay Marina, Ole Miss Marina, Ole Miss Boat Storage Yard, RW Yacht Club, RW Marina, etc.

Myron spoke to the strategic investment (see ppt) in the Tyler Road Development and reported that six of the top ten taxpayers are in this area. He said Wal-Mart would not have been there without the investment in Tyler Road, etc. He also mentioned that the Dollar Store is part of strategic investment as well as Walgreen, White Rock Bank, Culvers, Fairview Medical Facility, Dr., Noesen's Dentistry, Menard's, Housing Development, Hydro Control, Alliance Bank, Under the Rainbow Day care, etc. Myron reported that all were shovel ready properties and mentioned there are 35 acres ready for immediate development.

Tom reviewed a handout and the ppt that spoke to the Port structure and governance. He recognized Ralph Rauterkus for his work in creating the Port Governance Policy and said this year the committee will work with staff to accomplish the Ports mission. Tom read some of the principles and clarified that the document is proposed. He then spoke to the role of the Port Authority real estate committee and said they met and talked about several objectives:

- Creating goals and guidelines (for buying land).
- Put covenants on Hwy. 61 and 19 properties (when nothing was on the table). He is happy to say there won't be a strip mall on Hwy. 19 down the road. He said the winery would not be limited by the covenants.
- Look at the future of the Central Research building.

Tom then reported the Port previously had five committees but now they have three committees: the budget/finance/loan committee, a real estate committee, and a personnel/community relations/marketing committee that are expected to meet once a month. Brown said the governance of the Port Board is in good hands – they are dedicated, they are a functionable board, etc., and they are determined to succeed.

Tom then spoke to the Port Authority's enabling resolution and suggested questions be directed to Ralph Rauterkus. He then spoke briefly to the handout from the attorney comparing various attributes of the EDA, Port Authority, and HRA.

Myron reviewed additional items in ppt that spoke to the big picture plan (1993 and 2008 City Comprehensive Plan) and the Port's annual planning retreat and work plan to concentrate on implementation and tactics. He reviewed a map in the ppt of the 1993 comprehensive plan and what was envisioned for Tyler Road South and other areas of the plan. Myron said today's 2008 comprehensive plan talks about relocation of the boat storage (already implemented) and the encouraging entrepreneurs. He reported that the Port is in the process of putting together entrepreneurship loan funds and is working on ways to implement that part of the plan.

Port Business Development Director Shari Chorney reviewed her credentials and background and introduced Vicki Kane, Department of Employment and Economic Development, who spoke to making joint retention calls with the Port and the good partnership they have and how each agency brings different strengths. Vicki reviewed programs that are looked at when going out on retention visits. She spoke to the process and key importance of "confidentiality calls" that they make and receive. Vicki stressed the importance of the confidentially feature when making retention calls and said it is information that could be pretty critical on whether they stay or move their businesses. Vicki said it has been a privilege to work with Port and their trust level is unique.

Shari reviewed the retention/expansion ppt slide and said there is a lot of paperwork and due diligence that goes into projects. She also reported on how the Port continues to monitor projects at all times.

Vicki spoke to the state's job skills grants and how funds are available to get staff trained. She said it is huge for a business to be able to get help with funding the training.

Shari spoke to the Norwood Promotion and Products and the Bic Agreement and how it was done confidentially. She stressed the importance of confidentiality when dealing with businesses. She reviewed business attraction strategies (see ppt.) and Port Authority partners (see ppt.). Vicki said when property is available the Port keeps her department up to speed on what is available.

Myron reviewed the remaining PowerPoint slides: critical infrastructure tools of the trade, what's with the cash situation, how did we get here, assessments, and land sales, etc.

Panel Questions:

Scott W. referred to the 29 questions that were submitted and said some of the questions were too broad, so some were answered and some were not. Those that were not answered are on the table for dialogue.

Linda referred to governance and asked about committee structure – she asked if only Port Members are on the committees or if community people are pulled in. Tom said he would like committees to meet each month and one of the original thoughts is to bring someone in with a special background to help them either as part of the board or advisory. He said historically it has only been board members. Linda asked if they are developing a succession plan for commission members or staff. Tom said no.

Jim asked if committees have historically reported back to boards. Myron said yes and explained that some have reported back depending on how often they meet. Myron also explained how committees have always been advisory to the board and their recommendations would be brought to the full board for consideration. He also reported that most Port committees have three board members assigned to it.

Kathy asked about how the Port manages their annual budget. Myron said they have taken certain aspects of the budget and earmark certain portions of the revenue to run the Port authority operations and on the expense side there are operations expense and expenses associated with ownerships for River Bluffs and Hwy. 61. He said revenues come from a number of different resources: levy, lease agreements, and contracting. Kathy asked how to balance the need for strong marketing and outreach with other things the Port has to meet with the budget. Myron responded that this year because of budget cuts the marketing has been cut. They have partnerships with the state DEED and have been working on other inexpensive things or things for free with regard to marketing. Kathy referred to overall revenue and asked what percentage of it is discretionary or already tied up in operation costs, etc. Myron said less than 10 percent is discretionary. They have eliminated budgeting in 2010 for speculative land sales and with that took away any discretionary funds they had.

Carolyn asked if the Port's debt obligation is to the City of Red Wing. Myron said yes. Carolyn asked what budget committees thought about the last land purchase. Myron said they were all very supportive of it.

Dan asked about the business retention and marketing piece. Myron referred Dan and the others to a letter from Mark Lofthus, Business and Community Development Division Director, DEED that was provided in the Port packet that speaks to DEED's long and successful relationship with the Port Authority and state programs that Red Wing and DEED have successfully worked together on. Tom referred to the Port budget and said he is not happy with the small marketing budget, but sees this as a time for rebuilding.

Dennis asked how the Port envisions the committees rolling out their goals and objectives and the Port Board doing the same. Tom said he would like to have ways to set a measurable benchmark and what is a number that is called a good year. He expects to see that after delving into the strategic plan and hopes to have a plan by year end.

Myron spoke to the annual board retreat and how they build a work plan and on the committee level they work on developing tactics that are needed. He referred to the 19 tasks that came out of the workshop at the Colvill Courtyard and said there is not a fancy business plan, but there is a plan and they do know where they are going.

Gary asked what the plan for fiber is. Myron said they are looking at public/private partnerships and have looked at WiMax. They would like to go to City Council about issuing an RFP to see if there are any takers out there to develop within the boundaries in the RFP.

Myron explained how mortgage fees are collected and reported the largest mortgage fee comes from bulkhead facility. Myron also mentioned the marina funds are earmarked to implement the riverfront portion of the comp plan.

Gary asked if other Port Authorities own private businesses. Myron said yes and gave examples of Duluth, St. Paul, Lake City and Pepin. Tom said it's not unique that Red Wing owns a marina. Myron spoke to site control and its importance to economic development and referred to the marina and how important it was to have that site control.

Gary referred to the Port Authority having the same finance and attorney as the City of Red Wing and asked if other Port Authorities do the same. Myron said yes and referred to the St. Paul Port Authority, Sea Ray Port Authority and Winona. Gary asked if the Port's budget is down this year. Myron said yes and said he believes it's down by 30 percent. Gary referred to the tough economic times and asked if the Port has decreased the land value in park. Myron said no and explained. Tom said the real estate committee would like to learn when to walk away from the table and feel good. They would like to get a value and range of what the City is willing to pay so that they can know when to walk away or how to design incentives to bring people to Red Wing.

Tom said the price of the land itself is a difficult discussion. Duffy spoke to appraisals of development land and said it is hard to appraise because of incentives.

Duffy referred to 1993 comprehensive plan and asked if the goals were aggressive enough and asked if we are running at the same pace for the future or if we need to be more aggressive or stay the same or less. Brian Peterson said we are a City that has a traditional comprehensive planning that included a lot of input from the community – the plan sets the vision for what we want the community to be. It establishes the big picture and every agency is involved in implementing it. Myron said the current comprehensive plan speaks to a lot of things that make sense – it also talks to entrepreneurship, which hasn't been done in the past. He thinks Red Wing could be a hot bed for entrepreneurship.

Gary asked if the Port Authority has had any discussions on how the DTMS can partner with Port. Myron responded that they have looked at strategic investments with DTMS. There are also talking with Planning and HRA.

Gary asked if things have changed with the existing board. Tom said their mission involves retail and tourism. He hopes to have a packaged program for entrepreneurs to follow.

Dan asked Myron to highlight the differences between a Port Authority and an EDA. He referred to the packet attachment and summarized by saying a Port has all the powers of the EDA plus more. One of the benefits relates to the access to Port Development Funds. The Port has received over \$600,000 in port development assistance funds that an EDA would not be eligible to receive. Port has more autonomy. He clarified that the bonding authority isn't any different. In the enabling resolution, the Port must go to the City Council for bonding authority. It would be permitted by the State, but limited by the Enabling Resolution.

Carolyn asked the Port to describe two or three projects that are being cultivated now. Myron responded by saying:

- 1) Big broadband is a strategic investment. We've been struggling, but we can't give up. He talked briefly about the meeting held last week and the comment from the Charter representative

Tom added his priorities saying:

- 1) Functional board
- 2) Strong/functional business plan
- 3) Marketing program to get the word out on Red Wing
- 4) Peace in our community, common interest and support on Port priorities.

Gary compared marketing to an octopus. Tom said they are developing the marketing plan through the committee. Gary asked what the marketing has been done in the past. They have done very tasteful products in the past. Now sending out written packets doesn't fit anymore. We

should update our web site. Shari said that other agencies have been helped in the past including local and state wide.

Donna said she admires what Tom has said so far, but she asked for him to elaborate on how much time board members contribute. They have a staff of four people and all the board members are volunteers. Tom said it could be a full time job, but they have other priorities. Board members give at least 1-2 hours per regular meetings; in addition there are numerous committee meetings that also last at least an hour. Tom said time is one of their biggest limitations. Gary asked if he was considering asking the public to volunteer to help with the marketing.

Myron added that once the governance issues are resolved, he feels the staff should and want to put more time into the projects. They get pulled away from projects because of community distractions, and lately governance issues.

Jim said there is a real value in opening up the committee meetings to volunteers who want to serve. The college has twelve community members who meet at least once a year to advise. It's been a very successful model.

Linda said if this was a business it would be out of business. Tom said he wholeheartedly disagreed. The Port has done much good in the community. Linda said that the Port has a big task when trying to rebuild the public's trust. Linda asked why the enabling resolution hasn't routinely come to the City Council. It begs the question of whether we should give it up or look at another model. She said they have a huge public relations problem. Tom said he felt they need to begin at the board level. The citizens need to see a functional and accountable board. Tom said he doesn't buy that the Port has squandered the investments. Tom said as a taxpayer who came onto the board and as a business man, he feels that they have really quite well over the long term. Public confidence has to be the beginning.

Scott W. asked Tom to fast forward to two years from now - what will be different in two years? Tom said we will know what is a home run and what is a strike out. We should be out of the recession and moving in a positive direction. He feels we should have a solution to the broadband issue. We will have a functioning board, and a staff that knows exactly what they should be working on and what their priorities are.

Myron said if you go back to the mission of the Port Authority, its jobs and tax base. With a staff of three people, it's always about choices – is it looking at the enabling resolution or keeping Capital Safety in town. The results of the Port's work is that six of the ten biggest employers happened because of the Port

Linda said she just isn't satisfied about the answer she is getting about rebuilding public trust. Nona jumped in and talked about how the board has limited staff's time on these issues. She has felt strongly about building community trust/reliability. Community relations is the heart of a lot of

these problems. There are amazing accomplishments here, for a small staff, for a volunteer board, but the public doesn't know.

Scott W. asked that we wrap up on the Port questions. Kathy asked about the benefits of the Port being tied too closely to the City Council. Tom said he hasn't felt the board has been limited by the participation of the City Council.

Tom responded to the question by saying that the property ownership issue has been discussed in the past. Tom said he didn't have any recommendation on how it should be handled. Myron added that the relationship with the City is very valuable. With staff, in particular, it's important to have the resources of engineering, planning, and etc. Kathy said she was more concerned about the elected relationship and not the line staff.

Myron said that projects that require a public subsidy should require an elected official's decision.

Scott A. asked how many loan defaults the Port has had. Myron responded in the years of the loan program supporting businesses they have only had two defaults of loans.

John B. asked how the Port does business or retention calls. The board has directed them to focus on marketing and service industries. Shari has done some businesses calls in the downtown area, and has been asked to assist with the downtown Main Street organization. Shari says she gets to manufacturing at least once a year.

John B. said wouldn't the best investment be to work with local businesses. Shari said that this is what they have been doing. John asked for specific tangible game plan.

Carolyn asked if the business loan program is on hold. Myron responded that revolving loan program funds are earmarked. Myron said to date they have \$750,000 in cash available. Carolyn referred to the entrepreneur program and asked if the Port will need to lower standards, and if lowering the standards makes it riskier. Myron responded that it's not necessarily lowering our standards, but meeting a need in the community. It's a risk/reward formula. They are earmarking \$200,000 for this and they will be smaller loans. The Port knows this going in that there will be more defaults and that they will need a higher reserved amount.

Gary asked if the Port should sell the Marina to balance their budget. Marshall responded that it depends on your perspective. Some people feel government should be in certain operations. He said we can sell an asset, but we are giving up a tremendous cash flow. You are giving up site control and cash flow. Marshall said he wanted to walk through the fiscal document about the Port's fiscal condition.

Linda asked what are the answers. Marshall said one of the biggest issues is allowing the Port to use the available tools. Myron said if we didn't make this investment, we wouldn't have the medical center, the jobs, and million dollar tax base.

Brian said that in the communities that he is aware of, basically subsidize the cost of land development. Land in Energy Park was covered by the City, but weren't in River Bluffs. Not being able to use TIF and not subsidizing land is tying the hands of the Port and making it difficult to proceed. Gary said he is not concerned about the deficient. He is concerned about how we take that land and market it.

Scott W. asked the panel to spend some time discussing our outcomes. There were several issues that they really wanted to discuss is governance. Scott said he thinks Tom and the Port has heard that message and are committed to working on improving. Scott said the essence is what is the driver here. The mental focus begins with the comprehensive plan. The entire issue of the economic development plan was set aside. It was written in 2001 and clearly needs to be updated. Focus about being strategic is really about marketing. If you refer back to the DEED comments, he said that Red Wing is a politically difficult center to navigate.

Scott W. feels the Port is extremely responsive to situations that arise, but that they aren't outreach successes. He would like to see the number one priority of the Port to be strategic innovations, not just reacting. They need to identify competencies of those who are leading this charge and if missing some, fill the gaps. Can we bring a broader perspective to the work that the board needs to do. Performance of staff is not in our charge, but is directly related to the work of the board and the accountability issue. Financial structure is part of the public trust issue.

Dave took over the facilitation of the discussion. Gary asked if the changes are really housekeeping. Myron responded that it is and that the changes have been blown out of proportion. Myron clarified that the Port Authority annually has an opportunity to review the enabling resolution – they can choose to review, but they do not have an obligation to review it. The enabling resolution has been revised several times since the beginning of the Port Authority.

Dave asked what structure will give Red Wing the best opportunity for success and said there are four options.

1. Recommend new model of governance.
2. Modify the current port model.
3. Make recommendation to the Port on how they go about their business * Scott's recommendation.
4. No change.

Dave said he didn't think the committee had the time or energy to study and recommend another model. He said he heard a lot of talk of priority, vision, performance, knowledge and lack of

specific areas. The issues raised aren't necessarily about structure, but about what the current structure should be doing.

Denny questions a model that invites the public sector to be a participant. He added that he felt infrastructure investment is an important driver of the Port vision.

Linda asked if from a historical perspective, is the vision driven by the elected officials. Denny said it's been driven by a couple different issues. In some cases the Port appointments have been political appointments.

Dave asked if the group was ready to agree that the Port is the structure, and that the committee will recommend changes to the Ports operation. There was unanimous support for this structure question.

Carolyn asked how much flexibility the Port has with regard to their bylaws. Dave encouraged the panel to think of the higher level instead of getting into detail of the by-laws. Scott encouraged the group to focus on the model we have and what we want to improve on it.

Jim said he thinks we need to incorporate recommendations to enhance the return on investment, and improve the public relations in the community. Dan said he agrees with this. Tom's leadership means a lot. He didn't see that leadership when he served on the board in the past. Metrics, technology, policy, and strategy are the four key points that Tom Brown identified as priorities from the board chair. Volunteer leaders come and go so there needs to be a systematic positive structure to sustain.

Linda said she has great concern about Port Board leadership. She questions how the momentum will be sustained. Linda wants to know how the Port connects with the Chamber, Downtown Main Street and other regional networking. She wants a transition plan for this. Linda doesn't think it's bound by the county or state.

Denny said Tim Penny from the SE Initiative is interested in coming to have that conversation in Red Wing. John Becker said he was disappointed that after twenty-five years we haven't had these discussions.

Dave wrapped it up with two handouts. The first is a draft outline of the plan; second is a list of what Red Wing has done well and what it needs to improve on. The strategies are more important than the Port because the port is just one strategy. Dave asked the board to focus on these issues as the strategies. Cohesive community relationships and trust among entities; regionalisms, regulatory process, technology, community strategies. Dave asked the panel to think about these things over night and return tomorrow.

Scott asked for any comments from the public and feedback on any issues that have not been addressed.

Denny said we need to talk about what happens afterwards and revamping of Red Wing 2020.

Adjournment: The meeting adjourned at 10:10 pm

DRAFT