

**MINUTES OF THE REGULAR MEETING OF  
COLLIERVILLE INDUSTRIAL DEVELOPMENT BOARD**

Thursday, April 30, 2015

The Collierville Industrial Development Board held a regular advertised public meeting at 12:00pm on Thursday, April 30, 2015, in the Administrative Conference Room at Town Hall, located at 500 Poplar View Parkway.

1. **CALL TO ORDER**: Chairman Mark Moody called the meeting to order.
2. **ROLL CALL**: Angela Reeder took the roll. The following members of the Industrial Development Board were present: Mark Moody, Taylor Stamps, Terry Cochran, Stuart Brazile, and Brandy Thompson. John Green, Ron Lawrence, Thomas Bergeron, and Sherrie Scardino were absent.

Staff present were IDB Attorney Josh Lawhead, Economic Development Director John Duncan, Accounting Supervisor Kate Watkins, Assistant Finance Director Mark Krock, and Angela Reeder.

3. **APPROVAL OF MINUTES: January 22, 2015 meeting**

Mr. Cochran made a motion, seconded by Mr. Stamps, to approve the minutes as written for the meeting of the Industrial Development Board on January 22, 2015. All were in favor, none were opposed. Motion is approved.

Mr. Moody welcomed Ms. Thompson, as it was her first IDB meeting. He then noted that it was an appropriate time to discuss conflicts of interest, given the Board had a new member and given that the quorum would not be maintained if someone had to recuse at today's meeting.

Mr. Lawhead asked Ms. Thompson where she works, to which she responded Curtis Printing and Signs. He then explained that if any of the IDB members work with the companies being discussed, they would need to recuse themselves from both deliberations and votes on those items. He noted that if a member had any question about whether or not to recuse themselves, then they should talk with staff as soon as possible. He asked if there were any questions.

Ms. Thompson stated that Town Administrator James Lewellen had met and spoken with her about this topic prior to her first meeting as well.

Mr. Moody put forth an example of his event hall business, which rented out a room to FedEx for a one night event, and stated he assumed that was not a conflict of interest.

Mr. Lawhead agreed, stating that if the business in question was one of your primary clients, or a repetitive, ongoing, regular client, then it would need to be looked at more; however, as a one-time event or vendor to one of these companies, he felt that wouldn't likely rise to a level of conflict.

Board member Sherrie Scardino arrived to the meeting.

#### **4. BUSINESS ITEMS**

##### **A. Resolution 2015-5, a resolution to authorize an amendment to the Personal Property Lease with Shelby Group International, Inc., d/b/a MCR Safety and related matters.**

Mr. Lawhead explained that the Board approved a 2014 first amendment to the personal property lease for Shelby Group, which included the addition of new personal property into their PILOT at the last meeting. However, after the last meeting Mr. Brazile noticed and it was later determined that several intangible items and vehicles were included in the property list. As these items are not eligible for PILOT treatment, Shelby Group has submitted this amendment to correct that. This amendment will not only accept from Shelby Group the correct personal property asset list, with a reduced value due to items being removed, but also lease back to Shelby Group that same personal property and amend the lease to reflect an investment requirement consistent with what they have. This would keep them from being in default every year, by reducing the personal property requirement to the current approximately \$3 million in personal property, and not the \$6 million previously stated.

Mr. Cochran asked if there were any tax implications for Shelby Group.

Mr. Lawhead stated that most of what was cut was intangible personal property that was not taxed. Some of the removed items were vehicles, which could be taxed, but he didn't anticipate a great tax implication.

Ms. Thompson asked if depreciation affects the PILOT, in that they are required to maintain a certain amount of property.

Mr. Lawhead said the amount required for compliance is based on acquisition costs, and depreciation doesn't come into account.

Mr. Stamps asked who determines the value of the equipment.

Mr. Lawhead stated the applicant determines the amount.

Mr. Moody noted that they are taxed on a depreciated amount, but the compliance is based on initial acquisition.

Ms. Watkins with the Finance Department explained how the depreciated taxes are determined each year.

Motion by Mr. Stamps to approve Resolution 2015-5. The motion was seconded by Mr. Cochran and approved unanimously by the Board.

##### **B. Resolution 2015-6, a resolution to approve 2014 Personal Property Lease additions and deletions by Federal Express Corporation.**

Mr. Lawhead explained that this resolution would approve a standard lease amendment that is similar to what FedEx does every year, approving the addition of new personal property into and deletion of certain other personal property from the PILOT.

Motion by Ms. Scardino to approve Resolution 2015-6. The motion was seconded by Ms. Thompson and approved unanimously by the Board.

**C. Resolution 2015-7, a resolution to approve 2014 Personal Property Lease additions and deletions by FedEx TechConnect Inc.**

Mr. Lawhead explained that this resolution was similar to the previous FedEx item, with the exception that FedEx TechConnect was only adding items this year, no deletions. He noted that they are nowhere near their PILOT investment cap, and that there was nothing noteworthy or controversial about this item.

Motion by Mr. Cochran to approve Resolution 2015-7. The motion was seconded by Ms. Scardino and approved unanimously by the Board.

**D. Resolution 2015-8, a resolution to approve the 2014 Compliance Report of FedEx TechConnect, Inc.**

Mr. Lawhead began by giving a quick reminder to the Board that Compliance reports must be delivered by each PILOT applicant to the IDB by March 1<sup>st</sup> each year, and they refer to the previous year's compliance. So the reports we are looking at today are for 2014. The Board is here today to review, approve or disprove these reports.

In the case of FedEx Tech Connect, Mr. Lawhead noted that while they are technically not in compliance with regard to the number of full-time jobs required, when you review their overall wage investment (wages paid multiplied by the number of full-time jobs) they are well within the 10% deviation allowance. The part-time jobs and pay well exceed the lease requirements.

Mr. Lawhead explained that the tangible personal property number on the report is incorrect. What they have invested in personal property is only that which they have approved through the initial lease and the first amendment, for a total of approximately \$1.153 million. That would put them well below their personal property investment requirements.

In addition, he stated that the land investment number noted on the report is also incorrect. The required land investment is equal to what TechConnect paid for the land (\$522,720); therefore, they must have incorrectly noted the amount invested on the form by not including the full cost of the land. The improvement to real property noted on the report exceeds the required investment.

Mr. Lawhead concluded by stating that there is no "ramp up" period included in the lease, and that they are in compliance with all portions of their lease except for tangible personal property.

Mr. Duncan added that this is their first compliance report since receiving their PILOT.

Ms. Scardino asked what options the IDB has for those not in compliance.

Mr. Lawhead responded there are several options available: do nothing, informal discussion with the applicant to discuss the deficiency and plans ahead, or formal proceedings per the lease for those that are deficient. The choice is up to the Board.

Mr. Moody made a motion to approve Resolution 2015-8. Mr. Cochran seconded the motion. The floor was opened for discussion.

Mr. Cochran stated that he felt the Board should contact FedEx TechConnect and ensure they come into compliance by the next reporting period.

Ms. Scardino asked the significance of the tangible property shortfall.

Mr. Lawhead explained how the Board uses an applicant's promise of investment along with the IDB matrix in order to determine whether to offer tax breaks and to determine the term of the PILOT. The PILOT term lengths are based on the promised amount of investment, with more jobs and larger capital investments equaling longer PILOT terms.

Ms. Scardino asked by how much they missed compliance.

Mr. Lawhead stated that they were at approximately 61% of personal property investment, or two thirds of the way to their promised goal.

Mr. Brazile asked where the personal property investment number in the lease originated.

Mr. Lawhead said it came from the application submitted by the applicant.

Mr. Stamps said as this was their first compliance report, he felt the Board should accept it but watch to make sure they bring up their investment by the next reporting period.

Mr. Cochran stated he felt similar, but felt they needed to be notified of the discrepancy.

Ms. Reeder took the roll for the motion currently on the floor.

Stamps- no, Cochran- no, Brazile- yes, Thompson- no, Scardino- no, Moody- yes  
Motion failed.

Discussion ensued as to whether specific consequences or penalties should be stated at this point, in case of noncompliance next year.

Ms. Scardino made a motion to approve Resolution 2015-8 as written, and direct staff to contact FedEx Tech Connect to verify the correct numbers on the report and transmit any corrections to the Board, and for staff to communicate with the applicant the need to come into compliance by the end of the 2015 compliance period. Mr. Cochran seconded the motion.

Ms. Reeder took the roll for the new motion.

Stamps- yes, Cochran- yes, Brazile- yes, Thompson- yes, Scardino- yes, Moody- yes  
Motion was approved.

**E. Resolution 2015-9, a resolution to approve the 2014 Compliance Report of Federal Express Corporation.**

Mr. Lawhead noted that Federal Express real property investments have not changed, have been in compliance, and are still in compliance. To his knowledge, there is no personal property investment numbers required, thus the only remaining benchmark to review for compliance in this report is their jobs.

With regard to their jobs numbers, Mr. Lawhead explained that the Federal Express PILOT is older and included a specific requirement for a large number of clerical positions which are no longer needed to accomplish the same tasks today. When you multiply their average wages by their total number of jobs, you see their total wages are at 87% of their requirement, which is very close to meeting the 90% permitted. Also, he noted that they pay almost \$210 million in wages to their local employees, a quite significant amount and benefit to Collierville.

Mr. Cochran asked what year this was of their PILOT.

Mr. Lawhead stated he believed their PILOT expires in 2021.

Motion by Ms. Thompson to approve Resolution 2015-9, accepting a compliance report for Federal Express Corporation as written. The motion was seconded by Ms. Scardino and approved unanimously by the Board.

**F. Resolution 2015-10, a resolution to approve the 2014 Compliance Report of Carrier Corporation.**

Mr. Lawhead began by explaining that this is the final year of Carrier's PILOT with Collierville. He also noted that their County benefits have expired and thus there are no compliance numbers for the County included in the report. Mr. Lawhead stated that the number in this report also has some problems and errors and that after further review it appears there were 90 new jobs added in 2014. He noted Carrier's requirements are high and actually require a number of 155 new jobs added each year. However, the report does show Carrier's average wage is well above their required annual minimum wage.

Mr. Moody mentioned that Carrier has a lot of seasonal employees, which has caused them problems in the past when reporting their employees.

Mr. Stewart stated that it seems difficult to hold them to larger economic factors, when they have to determine employee numbers based on demand.

Mr. Cochran asked for additional clarification of the report and employment numbers.

Mr. Lawhead explained that 155 is the required number of employees they must hire every year. Over the 10 years of the PILOT, they would have added 1,550 full-time employees above their previous 1,275 employee in order to have been in compliance each year. He stated that to point out the minimum number of employees they would have if they had been in compliance each year.

Mr. Stewart noted that the 268 that is referenced appears to be the seasonal employees.

Motion by Mr. Cochran to approve Resolution 2015-10, accepting the 2014 Compliance report of Carrier Corporation. Ms. Scardino seconded the motion and it was approved unanimously.

**G. Resolution 2015-11, a resolution to approve the 2014 Compliance Report of Strike King Lure Company**

Mr. Lawhead stated that Strike King is within the 90 percent compliance threshold on all categories.

Motion by Mr. Stamps to approve Resolution 2015-11, accepting the 2014 Compliance Report of Strike King Lure Company. Ms. Thompson seconded the motion and it was approved unanimously.

**H. Resolution 2015-12, a resolution to approve the 2014 Compliance Report of Shelby Group International, Inc.**

Mr. Stamps asked for an explanation of why there is a long list of applicants provided, but no hires are noted.

Mr. Moody explained that Shelby Group is subject to a County Diversity Plan requirement, which requires 20% of new hires coming from a certain pool of applicants. He noted that they only hired two people last year. That information was their documentation to show their efforts to hire in compliance with their diversity plan.

Mr. Stamps asked if this is something the Board will be seeing in the future.

Mr. Lawhead stated only PILOT applicants who also pursue Shelby County benefits will submit these. He explained that this was a result of the interlocal agreement, or contract between Shelby County and the Collierville IDB, which is the agreement that allows the IDB to grant County benefits without the necessity of going before the County Board (aka EDGE). As part of the agreement to give us that authority, the Collierville IDB agreed to require any applicant getting County benefits to submit and have approved by the Collierville IDB a diversity plan.

Mr. Moody pointed out that Shelby Group only hired two new employees, so to meet the 20% requirement they would have actually had to hire at least 50% of last year's hires from the WIN (Workforce Investment Network) program.

Mr. Duncan noted that they met their minority contract requirement, and only fell short with their hiring last year.

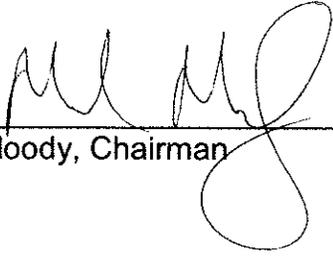
Motion by Mr. Cochran to approve Resolution 2015-12, accepting the 2014 Compliance Report of Shelby Group. Mr. Brazile seconded the motion and it was approved unanimously.

**5. OTHER BUSINESS**

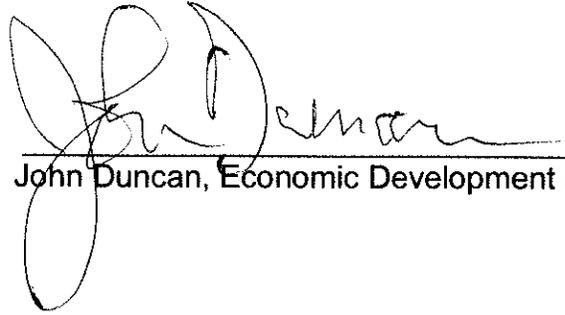
**A. Economic Development Overview-** Chairman Moody explained that John Duncan had provided some Economic Development Overview during previous discussions and didn't believe there was more to discuss at the time. Mr. Duncan agreed.

**6. ADJOURNMENT**

With no further business, Chairman Moody adjourned the meeting at @ 1:02pm.



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Mark Moody, Chairman



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John Duncan, Economic Development Director