

MINUTES

October 22, 2015
Board Meeting
City Hall – Council Chambers

Members Present:

Jeff Mercer President
Kim Minton..... Secretary
Angela Coy..... Treasurer
Mike Denney Member
John Ditmars..... Member
Lisa Jones..... Member

Others Present:

Robert Schafstall Legal Counsel
Krista Linke Community Development Director
Julie Spate..... Recording Secretary

Call to Order:

Jeff Mercer called the meeting to order at 8:00 a.m.

Approval of Minutes:

Lisa Jones made a motion to approve the September 24, 2015 minutes as presented. Kim Minton seconded the motion. The motion carried.

Public Comment:

None.

Discussion on New Agenda Format, Strategic Plan Timeline, Goal Owners

As incoming president, Mr. Mercer offered comments. First, his thanks to Steve Woods for his leadership last year. And second, believing that each area of the new strategic plan needs an “owner,” an explanation of the new agenda format. Mr. Mercer also thanked Ms. Minton for her work on the strategic plan. He pointed out that there are five areas to the strategic plan – awareness, stewardship, impact, development and capacity. Mr. Mercer has asked each board member to come to every meeting with an update for their assigned area. Any alterations to the strategic plan need to be worked through with Ms. Minton prior to the December 10th meeting so the plan can be approved at that meeting. Mr. Woods is chairing awareness. Angela Coy is directing stewardship. The impact committee is led by Lisa Jones. The development committee is new and will be led by Ms. Minton. The capacity group will be led initially by Krista Linke and likely reassigned at some future point in time. Mr. Mercer also presented a monthly calendar he has outlined to keep all committees and FDC business moving forward with time to send agenda items to Mr. Mercer and Ms. Linke.

Committee Reports:

A. Communication Committee or Monthly Update:

Ms. Linke presented in Mr. Woods’ absence. There was previously a communications committee in place and Ms. Linke has contemplated reaching out to Mr. Woods to see about inviting a couple of

the previous members back to serve. She would like to see the committee meeting at least quarterly if not monthly. Now that the website is live, Ms. Linke feels it important that a committee is consistently updating and maintaining useful information on the site. She would also like to see the FDC have an annual report with an executive summary, a quarterly marketing minute, project summaries, etc. If any board members wants to serve in this area or knows of anyone they would recommend, please let Ms. Linke or Mr. Woods know. They would like to convene a committee meeting before the December FDC meeting.

B. Finance Committee or Monthly Update:

1. 2012, 2013 & 2014 Audit – Angela Coy reported the audit is received in draft form. They will meet with the auditor next week. Mr. Mercer confirmed that this will now be done annually.
2. 2014 Form 990 – This is due November 15th and a draft has been received. Ms. Coy and Ms. Linke will meet with the auditor and tax accountant to go over this as well.
3. Request made to the RDC (9/21/15 meeting) for 2016 Program Funding – Mr. Mercer reported that he and Mr. Woods presented to the RDC, thanking many of the board members in attendance as well. They asked for \$500,000 for the next year of programming. Mr. Mercer also attended the RDC meeting this week and as anticipated, it was tabled to the November meeting.
4. Presentation made to the City Council (10/5/15 meeting) – This presentation was very well received by City Council.
5. 2016 Budget for December meeting – A three-year flat line budget mock-up was presented to the RDC. Ms. Coy and Ms. Linke will work with Mr. Mercer to have a formal 2016 budget for the December meeting.
6. Discussion on “Managing Donor Advised Funds” – Mr. Mercer introduced this as an opportunity with an organization in the community to potentially take donated dollars and allow FDC to be the conduit through which the monies would be reallocated back to perform work to improve a particular facility. The question is whether FDC should and can do that. Mr. Schafstall reported that in 2009 we received our 501(c)(3) certification. Part of that application asks what you intend to do and what your purpose is broken down into different segments. One segment is donor advised funds. If you intend to administer donor advised funds, there are various procedural hoops you have to jump through. FDC did not navigate these waters initially. So, from a legal standpoint at this time, Mr. Schafstall does not recommend engaging in donor advised funds. It’s asking for problems not needed at this time. If the application were to be amended, however, and the IRS were to recertify or approve this piece, it is Mr. Schafstall’s recommendation that FDC consider it. From a community needs standpoint, there is no obvious vehicle for philanthropically minded people to invest in Franklin. They can through the Community Foundation, but not through an organization that would focus primarily on Franklin. How to fix this with the IRS is an unknown at this time, but Mr. Schafstall is willing to lead the effort to determine that. There will likely have to be new controls and policies and a new administrative regime, but he does think if the board is inclined to do it, it could really benefit the community. Mr. Mercer cited three issues. 1) Help facilitate a solution for the organization that made the ask, which he hopes has been done. 2) Make sure FDC doesn’t step on the toes of the JCCF, so he spoke with Ms. Minton who felt the JCCF mission is outside of this scope. Ms. Minton added that JCCF can take donor advised funds and if the FDC wanted to do it, the IRS oversight are much more extensive since 2006. 3) Does FDC want to do this? Mr. Mercer asked for board input. Ms. Minton advised that the level of reporting required depends on the type of organization you are donating to. Most often the five steps of expenditure

responsibility are required – grant agreement, grant updates, special 990 reporting, and funds in a separate account. Mr. Mercer cited two wins to this. 1) FDC might be able to facilitate on behalf of organizations across the community ways in which they can glean dollars to reinvest back into our community. 2) A way for FDC to generate some operating revenue. Mr. Mercer asked Ms. Minton if the volume of work required is worth the return. Ms. Minton suggested that once the procedures are in place, there won't be that much work involved. Ms. Minton's experience is with a community foundation, so she is not certain what might be entailed for FDC as a development organization. Ms. Coy suggested contacting Alerding, who does a lot of 990 work to ask the necessary questions before a decision is made. Ms. Coy's concern is that if a hire is needed in the beginning, FDC does not have funds for that. Mr. Mercer confirmed there is a lot of information FDC doesn't have that is needed, but today's discussion is to determine if FDC would choose to explore the next logical steps. Ms. Jones thinks it is worth exploring. Mr. Mercer asked if Ms. Coy, Ms. Minton, Ms. Linke and Mr. Schafstall could work together on this. Ms. Coy will check with Natalie at Alerding when they meet next week to see if they can help with these questions.

C. Loan and Grant Committee or Monthly Update:

Ms. Jones reported meeting on Tuesday and thanked Rhoni Oliver for taking the minutes Ms. Linke provided to the board. There were not any loans or grants to review this month. There are some in the pipeline for which Ms. Linke is awaiting paperwork. The loan and grant policy approved in March 2014 was reviewed. Ms. Linke sent out suggested revisions for the board's consideration. Ms. Jones highlighted the biggest changes being in the power of authority section. She met with Mr. Mercer who stated feeling comfortable with the changes submitted. Mr. Mercer asked Ms. Jones to highlight what the suggested changes are.

"The Loan and Grant Committee will review all new loan and grant application requests to verify adherence to FDC program guidelines. If the application complies with all guidelines and board allocated program funds are available, the Loan and Grant Committee will have the authority to approve the loan or grant request. If the loan or grant request **does not** meet all program guidelines, or board allocated program funds are **not** available, the Loan and Grant Committee can deny the request or make a **recommendation** to the FDC Board of Directors to allocate the funds if needed and approve the request. The FDC Board of Directors will have the final authority to issue the approval for any request that does not meet all program guidelines. All new approvals and denials will be reported monthly to the FDC Board of Directors along with an allocated report of funds availability. Due to regulatory requirements, no more than 25 loans will be granted per fiscal year. The approval or denial is to be documented and reported to the full Board of Directors along with a summary of the project."

Mr. Mercer reiterated this recommended change and asked for any feedback from the board. Mr. Schafstall expressed the need to review FDC by-laws to see what is said about committee authority. He also maintained that the open door laws are involved here and committee meetings still need to be compliant with those laws. Ms. Linke sought clarification on the pool of funds available for programming. Previously those had been allocated by program. Now that the funds are smaller in amount, they have just been left together in one lump sum for programming. Ms. Linke wondered, as new applications are received, are those program dollars set aside for any program or does the board want those to be specific to the programs we administer on a regular basis. Mr. Mercer concurred with

Ms. Linke, citing that FDC has not had a mechanism in place to be able to shift funds from one program to another or to view it all together in one programming account. The RDC requested early on that FDC would outline for them how dollars were to be allocated into various programs and they were given a \$400,000/\$100,000 split between commercial and residential programs. Mr. Mercer and Ms. Coy will work together to consider this question. Ms. Jones confirmed they had not looked at the by-laws and that Mr. Schafstall's counsel and board feedback is invited, as this is just a first attempt at streamlining the process and to make Ms. Linke's job easier. Mr. Mercer reviewed the challenge that as a board member who shows up monthly that hasn't been involved firsthand like the committee, it is difficult to find reason to counter the recommendations they present. Ms. Jones continued with the second proposed change.

"Applicants may request increases in their loan and grant amounts during construction, due to unforeseen circumstances. Each request must be approved by the Loan and Grant Committee, and any increases will be reported to the full board at the following regular monthly meeting. If the requested increase complies with all guidelines (including maximum loan and grant amounts determined by program) and board allocated program funds are available, the Loan and Grant Committee will have the authority to approve the loan or grant increase request."

Ms. Jones reiterated that if the application doesn't meet all the guidelines, the committee would not approve it, but bring it to the board for decision. Ms. Linke used Trent Petro's awnings as an example. When this situation occurred it was brought to the board for decision. With the new recommendation, this scenario could have gone before the Loan and Grant Committee. Mr. Ditmars asked if a project is approved by the board under exception and a situation like this comes up, does it come back to the board? Ms. Linke affirmed. Mr. Ditmars doesn't feel like this is addressed in the policy changes presented. Mr. Mercer suggested it be tabled until the December meeting so by-laws can be looked in to and a few modifications made based on today's discussion. Ms. Jones highlighted that even though \$500,000 from RDC may seem like a lot of money, but if \$200,000 is allocated to grants, if applicants take the maximum amount allowed, it results in only eight grants. She suggested that there could be a deadline for usage of allocated funds that if not used by that deadline could be reallocated to another program. Ms. Jones would like to see the full amount of funds used every year to continue to support the need in the community. Mr. Mercer thinks if we don't, the RDC will question the amount given. Mr. Ditmars suggested more clarity around board reporting and that there should be a monthly delinquency report. Ms. Jones read from the policy that might address this concern.

"...the staff will provide monthly loan payment reports with updated loan balances to the Board of Directors. FDC staff will contact borrower on any loan that becomes over 30 days delinquent. They will report any payment delinquencies over 30 days past due to the Loan and Grant Committee each month. If a borrower continues to remain delinquent, the matter will be turned over to legal counsel to rectify or pursue legal action. All actions taken will be reported to the Board of Directors by staff and / or the Loan and Grant Committee."

Mr. Ditmars wanted to see that this is consistent with what is said under portfolio risk assessment.

D. Development Committee or Monthly Update:

1. Abandoned/Tax Sale Properties – Ms. Minton reiterated Rhoni Oliver’s report from last month that the properties FDC thought they were going to get did not happen. Ms. Minton introduced Ms. Oliver to give an update. Five other properties didn’t sell at tax sale that have been problem properties for the city, and Ms. Oliver suggests the city request these from the commissioners. The development committee would meet to determine if these are appropriate properties for the FDC to accept. The couple vacant properties of the five could be given to Habitat for Humanity for their builds. Ms. Minton asked for the timeline. Ms. Oliver said they can be requested anytime and would hope the certificates could be secured in the next couple of months, have Mr. Schafstall prepare notifications and then it’s a 120-day process, so theoretically could have the properties in late spring or early summer. Mr. Mercer asked if there would be any problem in waiting until the December meeting to take action. Ms. Oliver would like the FDC to allow the committee to do their due diligence and move ahead with the decisions and process. Only one property is more difficult in that it is large and \$41,000 delinquent in taxes, but Ms. Oliver already has someone who has expressed interest in purchasing it. Only one is in the allocation area so FDC could potentially offer money to help fix it up. A couple have a portion of the property that is in the unregulated portion of the flood plain. Mr. Mercer reminded that FDC has some programming dollars in the “old money” that doesn’t fall under the guidelines of the “new money” RDC might allocate. This is an opportunity for FDC to generate some dollars to help the city to put properties back on the tax rolls. Mr. Mercer asked for board feedback on the development group heading this process up. Ms. Jones is very interested but is a little uncomfortable without any policies or procedures in place yet. Ms. Minton suggested a review of the properties and putting policies and procedures in place with a recommendation being brought to the December meeting. Mr. Mercer cited the challenge that these properties only come available once a year. Mr. Mercer asked Ms. Minton if it is reasonable to expect that action can be taken at the December meeting. Ms. Coy asked if they would select one at first to try. Ms. Oliver recommends all of them and thinks there are a couple that would be easy to pass on through to Habitat and that potential purchasers would meet the numbers for Area Median Income (AMI) requirements. Ms. Minton also expressed the unknown of whether any monies will even have to be invested in these properties or if they can just be passed through to others. Ms. Oliver also has a list of approximately seven people interested in buying the properties if auctioned. Ms. Minton asked Mr. Schafstall if the FDC could place stipulations on the properties if they are auctioned off. Mr. Schafstall confirmed.

2. Residential painting initiative – Ms. Minton explained this as a program that can be offered. Owners can be provided paint to paint their home different from full façade grants.

E. Capacity Committee or Monthly Update:

Ms. Linke described that this correlates with what FDC used to call the program committee, making sure program offerings are relevant and in demand and that regular communication is taking place. Mr. Mercer highlighted that the “owners” of each of the identified strategic plan areas are reviewing and defining as FDC enters into the process. Ms. Linke appealed to the board for assistance from any who would choose. Mr. Mercer sees some overlap in these five strategic plan areas that will need to be sorted through in the coming months.

September Financial Report:

- a) Balance Sheet – Ms. Linke has noted that some accounts have been consolidated and combined and are waiting on checks to clear so they can be closed and bring FDC down to three banks instead of four. Signature cards will be updated with the new officers.
- b) Budget vs. Actual – The RDC grant for B2S Labs for \$250,000 was reclassified. The audit and legal fees have been the most significant operational expenses.
- c) Residential Revolving Loan Fund (RRLF) – Several have been turned over to Horizon Bank for processing. September was a good month for the beginning of repayments on a number of loans. Loans for Tom and Diane Strack and Rob and Jamie Shilts are fully drawn and will be moved up to completed projects. Julie Stewart has a new tenant and has made her October payment. Ms. Jones cited two parties turned over to Mr. Schafstall due to delinquency. She also asked if a deed restriction could be recorded to protect FDC monies from loss. Ms. Linke reviewed our guidelines that state when the property is sold, the FDC load is to be repaid in full, so wondered if there is a way to be notified if a property transfers. Mr. Schafstall can look into this. His understanding is that if we receive collateral in the form of a real estate obligation, FDC is subject to additional regulations so the previous board made a choice not to do this. Mr. Ditmars focused more on the notice rather than specific security. Ms. Jones expressed concern that if the party was to have any kind of concern, the FDC loan would be the easiest not to pay. Ms. Linke highlighted \$368,000 programming funds and \$342,000 available in revolving loan funds that are accounts receivable. There were no other questions or comments about the financial report.

Director Report:

The Design Committee has conducted site visits at the following locations: 97 E. Monroe Street – B2S Labs; 102 W. Jefferson Street – Brian L. Pence; 55 E. Court Street – Ryan Wadsworth; 40 ½ E. Jefferson Street – Jim Admire. Ms. Linke is awaiting contractor estimates and design committee approval for each of these projects before their applications are complete and can be reviewed by the Loan and Grant Committee.

Board Member Terms – EDC Appointment: John Ditmars term has expired as the EDC appointment. Mr. Ditmars has been involved with the FDC since its inception in 2008 and has decided to now step down. He expressed thanks to the EDC, Franklin city officials, the FDC board and Mr. Schafstall. Mr. Mercer expressed regret to see Mr. Ditmars leave and a desire to see him stay involved. He quoted Ms. Coy, “John has the unique ability to make everyone’s opinion seem important even if he doesn’t necessarily agree with it.”

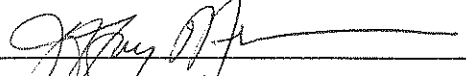
Additional Items:

- Lyman Snyder, board member and trustee of the Elks Lodge, gave thanks to the FDC for working with them.
- Next Regular Board Meeting - December 10th, 2015 at 8:00 a.m.

Adjourn:

No further business came before the Directors. The meeting was adjourned at 9:17 a.m.

Approved this 10th day of December, 2015:

By: 
Jeffrey Mercer, President

Attest: 
Kim Minton, Secretary