

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION
Executive Committee Meeting Minutes
June 21, 2011
8:30 a.m. – 12:00 p.m.
Michigan Economic Development Corporation Office
300 North Washington Square, Lansing, Michigan

Members Present: Lizabeth Ardisana
David Armstrong
John W. Brown
Robert S. Collier
Stephen D'Arcy
Thomas Lewand
Chris MacInnes
Jeff Metts
Greg Northrup
John Rakolta, Jr.
Christopher Rizik
Doug Rothwell
Ann Marie Sastry
Marilyn Schlack
Dayne Walling

Members Absent: Mary Lou Benecke
Stephen Forrest
Kirk Lewis
Jeffrey Noel

By Phone: Haifa Fakhouri

MEDC Staff present: Michael Finney, Amy Cell, Doug Smith, Elizabeth Parkinson,
Minesh Mody, Mark Morante, Jennifer Nelson, Amy Banninga,
Carsten Hohnke, Elliot Forsyth, Donald Snider, Martin Dober,
Sandra Bofaris

Call to Order

Doug Rothwell called the meeting to order at 8:35 a.m. The meeting was held at the MEDC office, 300 North Washington Square, Lansing, Michigan.

Public Comment

Mr. Rothwell asked if anyone in attendance would like to provide public comment. No one responded.

Administrative Business

Approval of the Minutes

Mr. Rothwell asked for any changes or additions to the April 21, 2011 meeting minutes.

A motion to approve the April 21, 2011 minutes was made by Mr. Tom Lewand and seconded by Dave Armstrong. The motion was unanimously approved.

Sub-committee Updates

Finance: Chris Rizik updated the Executive Committee on the Finance Sub-committee meeting (via conference call) of June 15th.

Revenue Updates: Mr. Rizik discussed that due to uncertainty about Gun Lake Casino payments, management had not included any income from this casino in its earlier projections. He went on to report that based on the first payment for two months we could receive approximately \$12 million a year from this casino. He asked that the Executive Committee keep in mind that this casino is centrally located in the region where all four casinos that contribute to the MSF are operating. These four casinos have a formula-driven look-back provision in their agreements, whereby, if their revenues go down compared to the previous three years, they can reduce their current payment by twice that rate. Mr. Rizik noted that a better idea of the net impact of Gun Lake Casino would have on overall revenues would be clearer within the next 12 – 18 months.

FY 2012 State appropriations and development of FY 2012 detailed budget: The planned process for approving a new budget is allow the Strategy Subcommittee to finish its work and then have management prepare and propose a budget consistent with the strategy, which would be reviewed by the Finance Subcommittee and then by the Executive Committee. Mr. Rizik informed the committee that it is extremely unlikely that all of these steps will be completed by the next Executive Committee meeting, scheduled for August 9th. He proposed to the Executive Committee that it either (a) authorize the Finance sub-committee to approve a tentative budget for FY 2012 in mid September and then have Executive Committee approve a Budget when we meet in October 2011, or (b) schedule a special Executive Committee meeting in late September to approve the budget. Mr. Tom Lewand stated that he felt the Finance Sub-committee was capable of approving a tentative budget and that was the avenue that should be taken. The rest of the committee agreed.

Non-performing Investments: Chris Rizik reported that there were some non-performing investments that the Finance Sub-committee would like to take action on. He presented a resolution that would delegate to the Finance Sub-committee the authority to take all actions related to a legal or accounting write-off for all non-performing loans with a principal amount of \$1,000,000 or less at the time of award, or any non-performing loans with an effective date of 1999 or before.

A motion to approve the Delegation of Authority resolution was made by Mr. Chris Rizik and seconded by Mr. John Brown. The motion was unanimously approved.

Governance and Audit: Stephen D'Arcy updated the Executive Committee on the Sub-committee meeting held on June 14, 2011. The working group reviewed internal controls currently in place for receipts, payments, and approval authorities for various documents. A flow chart of approval requirements was shared. Based on the recommendation of the committee chair, MEDC changed its check processing to require that all checks over \$50,000 (down from \$100,000 policy) be signed manually by two authorized signatories. The committee members also discussed governance and role/expectations. The discussion included the committee's role in Executive Committee self-evaluation, and the importance of linkage with the Finance Committee. Mr. D'Arcy noted that the committee will meet with the Office of Auditor General in September when they are getting ready to

start the FY 2011 audit. This will help members understand the scope of their work and make suggestions as to what other things can be part of the audit scope. Mr. D'Arcy also noted that the frequency of audits may be insufficient to provide some control over program performance objectives.

Compensation and Personnel: Mr. Doug Rothwell reported that Jeffrey Noel had unexpectedly been called away for Whirlpool business, so he would update the executive committee in his place. Mr. Rothwell brought the committee up to date on the Compensation Strategy RFP by referring to the timeline included in the meeting materials. The committee had no questions or objections to the timeline. Mr. Rothwell also presented the MEDC Chief Executive Officer Evaluation Policy Statement and Process that would be used in evaluating the performance of Mike Finney. It clearly defines the policy statement, and further defines specifically the process steps that will be used. He asked for a motion to approve the resolution.

A motion to approve the CEO Evaluation Policy Statement and Process Resolution was made by Mr. John Brown and seconded by Mr. Tom Lewand. The motion was unanimously approved.

Strategic Planning: Doug Rothwell announced that the staff is completing all studies that need to be done and will be summarizing and providing a copy to the Executive Committee and community businesses to elicit feedback. Mr. Rothwell anticipates that the sub-committee will present the Strategic Plan and the Spending plan to the Executive Committee at the October meeting.

Strategy and Philosophy

Incentives Strategy: Mark Morante gave a presentation on the new Incentives Fund that will be replacing the state's current tax credit system. Mark informed the committee that the fund will equal \$100 million in FY12 and \$50 million in FY13. To put that in perspective, Mr. Morante went on to compare the yearly averages for the time period of 2000-2007 – MEGA Credits equaled \$150 million consisting of 35 deals, and Brownfield Credits equaled \$100 million consisting of 70 deals. Mr. Morante outlined gave the three uses proposed for the Incentives Fund: performance based grants to companies seeking to locate or expand in Michigan in highly competitive situations; capital contributions (loans, etc) to companies seeking to expand that need assistance or a nudge to expand here; and, capital contributions and grants to redevelopment projects which need assistance to fill financing and RIO gaps in urban, historic or environmentally challenged settings.

Investment Strategy: Mr. Morante also presented a powerpoint on the Investment Strategy. He stated that we will invest through, or alongside, private sector professional capital sources in order to increase the availability of capital to Michigan companies. He went further to say that our philosophy is not to compete or duplicate efficient private sector sources of capital; preferably those dollars can be deployed with a high leverage ratio and a chance to earn a return on public dollars. Mr. Morante noted that the MEDC's decision on any given project is objective, not subjective. Mr. Morante discussed the current investment model and gave a program example.

Customer Service Carsten Hohnke shared how the voice of the customer is a core component of a balanced MEDC scorecard. He went on to explain that in developing a comprehensive VOC (Voice of the Customer) at the MEDC a two-pronged approach is being taken to monitor the breadth and depth; (1) Comprehensive and regular measurement of customer satisfaction and (2) Regular convening of collaborative councils and summits (focus groups). Mr. Hohnke also presented “Understanding the Drivers of Satisfaction” where the satisfaction index is made up of many economic environment components and behavioral intentions.

ICC: Amy Banninga gave an update report on the Economic Development Executive Group progress being made on the major deliverables. The work group acts to assess and align efforts of different State agencies to promote collaboration rather than scattered and competitive efforts.

CEO Report

Office Space: Mike Finney informed the executive committee that the MEDC desires to establish a presence in Detroit, and to reduce overall costs associated with the office space (currently in Livonia). He is asking the committee to authorize the MEDC to negotiate a building occupancy agreement with the Cadillac Place consistent with the terms of the resolution.

Mr. Finney also noted that the Governor would be signing the budget at 3:30 for anyone interested in observing.

A motion to approve the Office Facilities Resolution was made by Ms. Marilyn Schlack and seconded by Ms. Chris MacInnes. The motion was unanimously approved.

Mr. Rothwell summarized the deliverables as action items for the August meeting:

1. Work with the Audit and Governance Subcommittee to assess what threshold we should set for projects that require full executive committee approval versus the CEO.
2. Develop an MEDC Incentives policy that provides an overall framework for the organization's goals, priorities, metrics and allowable/prohibited uses.
3. Commission a study to determine the amount of funds available for incentives going forward that can be used to identify the proper funding request in the FY 13 budget.
4. Develop an MEDC Investments Policy that provides an overall framework for the organization's goals, priorities, metrics and allowable/prohibited uses.
5. Provide follow-up reports on the implementation of customer service and regional partnership strategies at future meetings.
6. Provide an update on workforce development strategies.
7. Include an update on Strategic Plan performance in every board packet.
8. Provide the board charts on the MEDC/MSF relationship and configuration of incentive and investment programs.

The meeting adjourned at 12:00 p.m.

Jennifer R.V. Nelson, Secretary
June 21, 2011

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