

HIGHLAND, ILLINOIS
MINUTES OF REGULAR SESSION
INDUSTRIAL DEVELOPMENT COMMISSION
CITY HALL, 1115 BROADWAY
WEDNESDAY, DECEMBER 7, 2011
12:00 PM

Call to Order

The meeting of the Industrial Development Commission was called to order at 12:03 pm by Chairman Bellm.

Roll Call

Members present: Darell Bellm, Jon Greve, and Eric Rehkemper.

Members absent: Ryan Goodwin and Rick Frey.

Also present: City Manager Mark Latham, Ex-Officio Member Jami Jansen, Business Recruitment and Retention Coordinator Andrea Enright, Senator Kyle McCarter, Representative Paul Evans, and Deputy Clerk Lana Hediger.

Approval of Minutes

Jon Greve made a motion to approve the minutes of the November 2, 2011 Industrial Development Commission meeting; seconded by Eric Rehkemper. All members voted in favor; the motion carried.

Reports

Business Inquiries Update:

Andrea Enright reported that the Madison County Health Department had contacted Kevin Limestall about the two bakeries that are looking at opening shop in Highland, but we haven't heard anything other than that.

There were no new contacts made this month.

Economic Development Strategic Plan:

Andrea reported that revisions to the Strategic Plan should be completed by the February IDC mtg. Mark Latham indicated that he is hoping that what we hear today from Kyle McCarter and Paul Evans about what the State will be doing may help us from a strategic planning perspective.

New Business

Approval of 2012 Meeting Dates:

Jon Greve made a motion to approve the 2012 schedule of meeting dates as provided for the IDC; seconded by Eric Rehkemper; all members voted in favor; the motion carried.

Highland Entrepreneurship Program:

Andrea reported that we had a very good turn-out at the kick-off event on November 16th. Approximately 50 people attended. Andrea started calling people who were signed up to be mentors or mentees and between now and Friday, she will have 13 interviews. She will wait until after tomorrow's interviews to begin booking interviews for next week.

Mentees will be interviewed and then be given an application to fill out. Then we will meet with them again to determine if they are a good fit for the program and if the program will be a good fit for them and then move forward from there.

Two of the thirteen interviewees are mentors. The rest of them are people interested in the program. Quite a few of those are established businesses in Highland.

Discussion of Illinois' Economy and Business Environment with Senator Kyle McCarter and Representative Paul Evans:

Kyle McCarter indicated that he has been called in to vote on Tuesday. Paul Evans indicated that he will be called in to vote on Monday and that the tax credit will be addressed as one bill and the Sears and Mercantile Exchange and job creation package as a second bill, this information coming straight from Springfield. The Chicago Mercantile Exchange and Sears package will be voted on. Kyle McCarter asked Representative Evans if the Research and Development credit would be included with it and if the loss carry-forward would be included. Paul Evans indicated that the R&D credit would be included to last for five years and the loss carry-forward would only be for two years.

Kyle McCarter explained that on the last tax increase the loss carry-forward was taken away and the way they presented it is that it would be; and he really thought they wrote it in the law; is that it would simply be delayed, but they changed it at the last minute to literally eliminate it. So here you are in the middle of a recession when people are taking a loss, some of their biggest losses and they're not able to take that against future earnings. And, obviously the purpose of that is to even out your gains and losses and have a fair taxation on some sort of flat method, but they took that out. So, now they're going to put that back in there for two years and extend the R&D tax credit for five years. The Chicago Mercantile Exchange...they will change the way they are currently taxed to a 27% of their sales instead of 100% of their sales because they're trade's coming in world-wide now because of the electronic transfers. So it makes a little sense but they never said anything about this until after the increase in corporate income tax; and, after the state failed to do anything about worker's compensation. Finally, the tipping point is when they said, "If you don't give us this benefit, we're going." So, it's about a \$225,000,000 package. Kyle McCarter stated that in his opinion, it's an insult, because the tax increase was \$7,000,000,000. They're going to give back \$225,000,000 to two select companies; Sears and the Chicago Mercantile Exchange, and then little fractions like \$40,000,000 to some other large companies like John Deere, but nothing to small businesses and nothing to individuals. Senator McCarter indicated that he would be voting against it. In addition, the earned income tax credit is simply a give-away to people who don't pay taxes. Representative Evans

agreed on that point and indicated that he is opposed to that. At some point in time, he might change his mind on that, but they would have to put something meaningful into it but at this point there is nothing meaningful in it.

Representative Evans indicated that they are pushing heavily for the passage of some bills. They're going to take the estate tax to \$3,000,000 next year and \$3,500,000 the following year. They are pushing this as a way to help small business. Senator McCarter indicated that the people who were already hurt by the estate tax have already moved, (i.e. Rural King, Gary Melvin, he is officially a Florida resident; Dr. Workman, Heartland Dental in Effingham, Florida resident; Mike Jaeger, Midnight Coachworks, Florida resident). In order to avoid that taxation on their estate, they just moved. We're not going to save anyone here. The bigger discussion should have been on the business environment and climate that we failed to change and that is the worker's comp. That is the unemployment insurance reforms which we just now agreed that we won't touch for five years, believe it or not. In a backroom deal they agreed they won't touch reforms for five years. That's an outrage. Other states have them but we have nothing. You can have severance pay at nine months, and you can get unemployment the next day. At the same time you're getting unemployment you're going to get the severance pay. We overpaid \$1.3 billion in the state...benefits to people who should not have received them. The only reform that we put in there is a way to garnish wages for what they should pay back. Currently, we don't have a way to get it back. If you have a State contract, they can get it from that; if you have a federal income tax refund due, they can get it from that. Those are the only reforms. They didn't reform the actual abuse of it. Now remember we paid out in 2010 \$4.6 billion. The highest we ever paid out in the last 30 years was \$2.3 billion. That's why we owed the federal government \$2 billion. Chairman Bellm noted that there is an add-on tax now for the federal unemployment because of the State's position of 23%. Senator McCarter confirmed that and pointed out that the State is issuing revenue bonds to pay back the federal government. Chairman Bellm also asked for clarification on the timeframe on the operating loss carry-forwards. Senator McCarter indicated that they're going to reinstate it again for two years so it will start in 2012 and there will be a cap on how much you can carry forward. Senator McCarter noted that what they're giving back is insignificant. He pointed out that most individuals don't realize that they had a week's pay taken away from them because at the same time that we took 2% away from people, the federal government lowered the employment tax. It happened at the same time, so nobody really felt the pain. The bottom line is that we failed to really address the business climate in some strategic ways. We're operating by crisis. This response of \$250 million?...People should just be outraged that they took \$7 billion in an income tax increase and they passed a budget that they said was a good budget but now they still can't pay their bills. In fact the payables are getting older and older. The good news is that there is still some momentum for worker's comp reform. Senator McCarter has reinstated that legislating including a causation clause saying that the workplace has to be the cause of the injury. The trial lawyers get it and the unions get it but they are resisting it. Hopefully this time the hospital association and the medical society will be with us. The bill that was passed, only hurt the doctors. There was a 30% reduction in the fee schedule. So now hopefully the doctors will be back on the businesses side to get this passed, along with the guidelines on the payouts on injuries and the network of healthcare providers. That way you don't have employees going

to a worker's comp doctor but you have them going to their general practitioners because a general practitioner will be less likely to just stamp an injury that really took place outside the workplace.

Senator McCarter reported that a company with 460 employees moved to Indiana yesterday and then made the statement in the press that it was because of worker's comp.

Even though it has been agreed that they wouldn't touch reforms for five years, Senator McCarter has five bills in regarding unemployment insurance reform. Medical malpractice reform is another one he is still working on. Pension reform will likely be addressed in April, after primary elections. As early as 2017 or as late as 2023, if we don't touch pension reforms, people will not get checks.

Senator McCarter reiterated that we are managing by crisis. The \$200 million that we swapped over a few weeks ago when they said we fixed the budget; \$200 million plus was vetoed by the governor and it was reallocated to other things. Southern Illinois lost with that. We didn't spend new, but the governor threatened to close prisons and mental health facilities if he didn't get that money. \$85 million of it was for transportation for schools. That primarily hurts us in the southern portion of the state. It fixed a few things...it hurt some other things. The governor said he was going to close these facilities if you don't give him this. We should have called his bluff because he had no way of doing it. We have no beds left in the prisons and he was going to close a facility that has 2,000 beds. Representative Evans pointed out that they don't even know the type of patients that are at Chester Mental Health. Those are people who are criminally insane. Many of those people will kill if given the opportunity. They were going to move those people to Alton and a few other places.

Chairman Bellm deduced from the information given that the state is not doing anything to try to keep or attract businesses. Senator McCarter confirmed and pointed out that the state has pushed itself out of the world competitive market. In order for Highland's entrepreneurship program to be successful, businesses would need to create a product or service that is in demand locally so that they don't have to compete in the bigger arena. Mark indicated that the quality of life in Highland doesn't mean much when it comes down to the cost of doing business. Senator McCarter agreed but offered that you can try to find synergies from the community that make up for the high cost of doing business. It doesn't mean that we quit fighting to try to find ways to lower the cost of doing business, but it does set you apart from other communities that don't offer that opportunity for synergies that will help someone develop a sharper business model that will enable them to compete to make a little more margin to make up for the higher cost of doing business. Paul Evans commended Highland for moving forward when other communities are hunkering down in this economy.

Representative Evans asked what people are looking for when they are trying to start a business. What is the first thing they ask? Andrea indicated that mostly they just want help with the business plan because they don't know where to start. Chairman Bellm

added that they come with an idea but don't know if it's even feasible to turn it into a business.

Mayor Michaelis and City Manager Latham reviewed the large industries that we have tried to entice to Highland in the past, only to lose out after being used to get another community to sweeten their incentives (i.e. North American Lighting, Donnewald Distributing, the military records facility, etc.). Mark indicated that we have changed our strategy to try to build some smaller businesses here. Somebody could come up with an innovative product or service. Ralph Korte has volunteered office space for our entrepreneurs. Chairman Bellm added that we also have the Zeller property that we bought to offer to entrepreneurs. Mark commented to Senator McCarter and Representative Evans that the economic development crew at the state level is the worst he's ever seen. In other states the governor is directly involved with economic development but we don't see that here. If you ask these agencies established by the state and regionally tasked with economic development what their mission is, 90% of them can't tell you. Mark pointed out that the limit on the number of enterprise zones is another way the state is hurting economic development in Highland. Mark asked why the City of Highland shouldn't initiate a law suit based on the fact that the playing field isn't fair. Senator McCarter responded by saying that it will be an irrelevant argument if they (the enterprise zones) are not extended. He is fighting to get them extended right now.

Mark asked Senator McCarter and Representative Evans if there is anything that the Industrial Development Commission can do that would help; talking to elected officials or writing letters. Senator McCarter stated that issuing a statement of what you *could* do if the climate were different may be helpful. And your statement should include specifics such as worker's comp reform and unemployment insurance reform.

Chairman Bellm indicated that another thing that hurts small business in Illinois is that if a small business does work for the state, they won't get paid for a long time. That makes a big difference in how you operate a business and who wants to come to your state. Eric Rehkemper noted that the prices have gone up, because where we had five vendors, now we have two. Paul Evans added that he is on a Small Business Development Committee and the governor is pushing an effort that says that if you're dealing with the state, 10% of a state contract has to go to small business. This sounds wonderful on paper, but it is failing in reality because the state doesn't pay. They're being confronted by the reality of their own policy. Eric Rehkemper pointed out that it would break some small businesses if they didn't get paid. Chairman Bellm reported that he went to a seminar four or five years ago where the trucking industry was complaining, the healthcare industry was complaining, the schools were complaining, and what happened? It's gotten worse.

Senator McCarter indicated that people are more sensitive to issues now because the economy is so bad and Paul Evans added that it might turn out to be the crisis of opportunity.

Senator McCarter mentioned that school consolidation is likely to happen in the near future. Paul Evans agreed noting that he hasn't spoken with anyone who is against it

right now. Senator McCarter indicated that he has an objection to forced consolidation. The governor wanted to do it with his own people. He wanted to consolidate the whole state into county districts. Senator McCarter might vote for that if he himself could appoint the person in charge of that. The governor had stated that he wanted to appoint his own people to do it to keep it from being political.

Chairman Bellm mentioned that the central purchasing program for schools several years ago didn't work because it was set up that way. Senator McCarter added that the CMS program for state purchasing has abuses too. In some cases state employees are being made to drive 60 miles to an approved oil change facility that costs almost 2½ times as much than if they would go down the block to the Speed Lube. Eric Rehkemper stated that it's because they can't get local companies to fill out an inch-thick packet of information in order to participate while at the same time worrying if they're going to get paid if they do.

Paul Evans indicated that he knows of a small business owner that went out of business because they were doing business with the state, not getting paid, got behind in paying their state taxes, and were being prosecuted by the state. The business owner asked if they could offset their taxes due with their receivables from the state, but the state wouldn't allow that. Senator McCarter indicated that he receives phone calls from business owners in that same situation at least monthly. The state will not work with them.

Chairman Bellm thanked Senator McCarter and Representative Evans for sharing details on the state's business climate with the commission and listening to Highland's concerns.

Next Meeting

The next meeting of the Industrial Development Commission is scheduled for Wednesday, January 4, 2012 at 12:00 pm at City Hall.

Adjournment

Eric Rehkemper made a motion to adjourn the meeting; seconded by Jon Greve. All members voted aye, none nay; the meeting adjourned at 1:06 p.m.