

I-69 INTERNATIONAL TRADE CORRIDOR, NEXT MICHIGAN DEVELOPMENT CORPORATION

Regular Meeting

August 9, 2022 - 9:00 a.m.

Bishop International Airport, Flint, MI

1. **Call to Order** – The meeting was called to order at 9:07 by Chairperson Dale Kerbyson

2. **Roll Call** –

Board members present-

Genesee County
Derek Bradshaw, Genesee County Metro Planning Commission
Wendy Jean-Buhner, City of Grand Blanc
Dennis Lilmatta, Township of Grand Blanc
Tracey Tucker, Flint Township
Tyler Rossmassler, Genesee County
Chad Young, Mundy Township

Lapeer County
Quentin Bishop, Lapeer County
Dale Kerbyson, City of Lapeer – Board Chair
Kelly Martin, Village of North Branch
Sam Moore, Lapeer Development Corporation

Shiawassee County
Nathan Henne, City of Owosso
Cameron Horvath, City of Durand
Justin Horvath, Shiawassee Economic Development Partnership
Troy Parmalee, Perry Township
Robert Peterson, Village of Morrice
John Plowman, City of Perry
Joe Sawyer, City of Cornua

St. Clair County
Jorja Baldwin, St. Clair County
Mike Booth, City of Marysville
Dan Casey, St. Clair County Economic Development Alliance
David Haynes, City of Port Huron

Administrative Staff present-

Brent Jones, Shiawassee Economic Development Partnership
Jody Roethle, Shiawassee Economic Development Partnership
Sally Warren, Shiawassee Economic Development Partnership

b. **Approval of Accounting Policy** – There was not previously an accounting policy in place. One was created by SEDP and reviewed with attorney, Kevin Kilby. A copy was provided to all board members. M/T Parmalee, S/T Tucker to approve the accounting policy with a minor change on page 5 indicating that all quotes must be written. All ayes, motion carried.

c. **Approval of Vendor Payments** – Board members were provided a list of all 2022 vendor payments past and current. See below.

VENDOR	DATE	CK #	MEMO	AMOUNT	TOTAL PAID 2022
Clear Channel Airports	03/16/2022	1511			
	05/04/2022	1555	Airport Display FMT-1A-TFB-3	520.00	1,211.72
	08/14/2022	1556	Airport Display FMT-1A-TFB-3	520.00	5,371.72
HIGHROAD Consulting Ltd.	08/09/2022	1558	Airport Display FMT-1A-TFB-4 Inv# 790482144 & 790482153	1,040.00	
	03/16/2022	1510	Mobilization Fee, Multi Modal Market Assessment	11,020.00	
	05/04/2022	1553	March 2022 Retainer Fee & Expenses	11,777.46	
	06/14/2022	1557	May 2022 Retainer Fee & Expenses	11,043.50	
	08/09/2022	1559	June & July 2022 Retainer Fee & Expenses	22,847.66	56,688.62
Huntington Bank	01/18/2022	efH	Bank Service Charges	8.00	
	02/15/2022	efH	Bank Service Charges	8.00	
	03/15/2022	efH	Bank Service Charges	8.00	
	04/15/2022	efH	Bank Service Charges	8.00	
	05/16/2022	efH	Bank Service Charges	8.00	
	06/15/2022	efH	Bank Service Charges	8.00	48.00
Lapeer Development Corp	04/19/2022	1550	NMDC Administration Fees	10,000.00	
SEDP.	04/19/2022	1551	NMDC Administration Fees	9,500.00	
	07/08/2022	1558	Corrected Bank Error on 6/27/22 from mobile deposit in wrong account.	200.00	9,700.00
Shattuck Specialty Advertising	05/04/2022	1554	Check stock & printing	80.17	
Worldgrl Marketing	04/19/2022	1552	Website redesign and Setup Google Business	2,000.00	
Lyman Sheets Insurance Agency	08/22/2022		Profession Governmental Underwriters, LLC D&O Policy	1,950.00	1,950.00

M/T Parmalee, S/T Tucker to approve vendor listing as presented with the exception of Lyman Sheets. Propose not to exceed \$2,720 as budgeted.

Roll Call Vote:

Yays: J Baldwin, Q Bishop, M Booth, D Bradshaw, D Casey, D Haynes, N Henne, C Horvath, W Jean-Buhrer, D Kerbyson, D Llimatta, K Martin, T Parmalee, R Peterson, J Plowman, J Sawyer, T Tucker, C Young

Nays: None

Motion carried.

d. **Approval to Order Copies of Missing 2021 Checks for Audit** – Auditors have requested 2021 checks for the audit. Not all checks are available to download from the Huntington website. SEDP staff will have to request copies. They could cost \$20 each. If costs are incurred, NMDC will have to pay the fee. M/J Plowman, S/D Bradshaw to approve paying for copies of missing 2021 checks. All ayes. Motion carried.

- e. **Approval of Insurance Policy Renewal – M/N Henne, S/R Peterson** to approve the renewal of the 2022-2023 insurance policy. All ayes. Motion carried.
- f. **Approval of Additional Admin Fees – J Horvath** described difficulties encountered by SEDP staff after taking over the administration of the NMDC/LDFA. A memo was presented to the board sharing detail about the issues to date and a request for an additional one-time payment of \$15,000 to cover the additional time required beyond the original scope of work indicated in the contract. M/N Henne, S/C Horvath, to approve the supplementary one-time payment of \$15,000 to Shiawassee Economic Development Partnership.
- Roll Call Vote.
Yays: J Baldwin, Q Bishop, M Booth, D Bradshaw, D Casey, D Haynes, N Henne, C Horvath, W Jean-Buhner, D Kerbyson, D Llimatta, K Martin, T Parmalee, R Peterson, J Plowman, J Sawyer, C Young
Nays: T Tucker
Motion carried.
- g. **Conflict of Interest Forms- SEDP** staff provided conflict of interest forms and a copy of the Conflict of Interest Policy to all board members who attended the meeting in person. SEDP staff will email forms to those who were not present and ask for them to be returned as well.
- h. **Approval of St. Clair LDFA Resolution – D Casey** requested the approval of a resolution to establish a new LDFA with the City of St. Clair which is located in the Authority District of St. Clair County. There are already two potential projects that could benefit from the creation of this new LDFA. M/T Tucker, S/M Booth to approve the resolution as presented. All ayes, motion carried.
9. **Discussion Items –**

- a. **2020 and 2021 Audit Update – SEDP** staff is working with Mattina, Kent & Gibbons, PC to provide all requested information. 2021 financials will be provided once created.
- b. **Potential Extension of Highroad Contract – Highroad** has completed their original five-month contract. They are proposing an extension of 7 months. The rate has been modified since packets were sent. It will remain the same as it was in the original contract. M/T Parmalee, S/N Henne to extend the Highroad contract through October 10, 2022 at a rate of \$11,020/month.
- Roll Call Vote.
Yays: J Baldwin, Q Bishop, M Booth, D Bradshaw, D Casey, D Haynes, N Henne, C Horvath, W Jean-Buhner, D Kerbyson, K Martin, T Parmalee, R Peterson, J Plowman, J Sawyer, T Tucker
Nays: D Llimatta, C Young
Motion carried.

c. **Budget Amendment –**

Marketing - \$5,372
Program Support - \$25,000
Contract Services - Highroad - \$90,688.62
M/T Tucker, S/N Henne to amend the budget to reflect the changes above.

d. LDFA Back Charges for Admin/Auditing Expenses – St. Clair will be charged for admin services related to LDFA.

10. Economic Development Partner Updates –

J Horvath – Working on administering the Tri-Share Childcare Program. Working on Housing. Continuing efforts on industrial sites.

T Rossmæssler – Large pipeline of projects and potential projects. Getting sites and buildings ready. Genesee County has no large buildings available for investment. Talent shortages. Region is working on 3D housing project. The keep making progress. Bringing in Habitat for Humanity for help creating affordable homes in the community.

Sam Moore – Housing is a huge issue. RLF for small/medium businesses. More inquiries in 2 weeks than last 6 month combined.

D Casey – Working on administering Tri-Share Childcare Program. Really good year in investment and job creation. D Haynes provided some updates. Going through beginning process of bridge expansion. Route changes and traffic flow. Still preliminary. Looking at funding. Utility and zoning changes. Costs are increasing.

11.

Board Member Comment

Q Bishop – Public safety millage and senior millage passed.

M Booth – Would like a report of the progress made by SEDP staff and attorney.

J Plowman – Senior millage passed.

12.

There was no other business.

13.

Meeting adjourned at 11:21.

Dale Kerbyson, Chairperson

Attachments

Sandra's Summary

SEDP Admin Memo

Memorandum

To: I-69 International Trade Corridor Next Michigan Development Corporation Board

From: Shiwasssee Economic Development Partnership

Re: Administration Challenges & Request For Supplemental Payment

Since taking over the administration of the NMDC and LDFA, SEDP has encountered a number of issues that need to be brought to the attention of the board.

The annual audit process is addressing two years of financials this year, 2020 and 2021. There are notable issues with both years. The year-end journal entries for 2020 were never completed. In conversation with previous administrators SEDP staff believes that the entries were provided by Flint & Genesee to Lapeer Development Corporation but not completed. These entries were provided on a password protected Peachtree file, with a temporary password that has since gone missing. While checking with the Flint & Genesee Group, the password is no longer in their records either, leaving no way to address the year end journal entries.

The 2021 books were never created by the previous administrator. While a thorough search has been conducted of both paper and digital files, no records of financial transactions for 2021 were found. **SEDP staff is creating these books with what records are available but cannot vouch for the accuracy of the information being used.** There are no invoices, bills, deposit records, or payment requests and the books are being created primarily using past bank statements and copies of checks downloaded from the Huntington Bank accounts. These sources do not cover all needed documents.

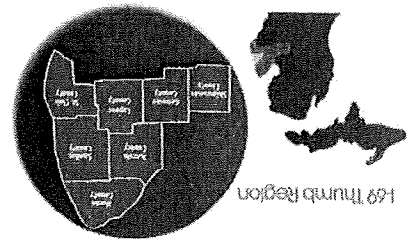
Despite substantial effort from staff, SEDP is still not able to provide all possible documents requested by the auditors. The process was additionally hindered by a multi-month process to even be approved to access the bank records from Huntington.

We have also become aware of issues with the organization's setup and annual reporting. The I-69 International Trade Corridor name and Employer ID Number is currently housed as a DBA under the Flint & Genesee Group. They have no interest in holding the DBA, but staff has yet to complete an evaluation of how to extract them to a stand-alone entity. There is also no record of 1099 or 1096 filings nor corporation filing reports to LARA for 2020 or 2021.

The process of reviewing the provided files have uncovered a number of additional issues:

- The list of member organizations and board representatives has had to be recreated.
- Financial policies and procedures addressing such issues as how checks are signed are lacking in detail. Staff is currently developing recommendations to clarify these processes.
- No contract is on record for the administration of the NMDC and LDFA by Lapeer Development Corporation, although payment for these services has been issued.

SEDP staff has been and will continue to work on rectifying these issues, but we have gone beyond the resources anticipated to serve this contract. For this reason, SEDP is requesting a one-time payment in compensation for work done above and beyond the basic administrative duties in the sum of \$15,000. This sum will ensure SEDP's ability to continue dedicating resources to bring the outlined issues to a reasonable solution.



SOW ITC002 – 169 International Trade Corridor Next Michigan Development Corporation

Project Extension – Economic Development Based on Integrated Logistics

1.0 BACKGROUND.

The purpose of this document is to respond to your request for a project plan and proposed retainer fee to be completed implementation of opportunities and initiatives developed in this study, as summarized in the previous Statement of Work (SOW) and updated in subsequent project reports. Progress developed during the initial five-month contract term has exceeded expectations; considering the size, complexities and significance of the projects, additional work and time is needed to complete implementation. This SOW will summarize a seven-month plan and tasks to be acted on during this project extension. It is likely additional tasks/work will be required to complete the projects covered in this SOW. If so, as long as the additional work is within scope and the work can be completed within the designated contract term, the additional work will be included in this proposed project extension.

This document will summarize projects with some details that must be maintained as highly confidential. Some of the information is proprietary and confidential information owned by people and companies that are potential tenants and other stakeholders. Therefore, the information set forth in this document is for the sole use of the 169 International Trade Corridor Next Michigan Development Corporation Board for its decision making, and should not be discussed or shared with any other parties, lest any or all of these projects become compromised.

This SOW has been organized by Project:

1.1 Davis Cartage Transload and Warehouse

Davis Cartage has an existing warehouse in Owosso, MI which is strategically located to serve the warehouse and transload needs for some of the users and potential tenants identified in the study. Based on our findings, Davis Cartage has approval of its Board of Directors to expand the warehouse building to allow for unloading and cross-dock of commodities that require weather protection, such as roll stock, sugar, etc. However, Davis Cartage does not currently have a rail siding. They are working with the railroad (Huron & Eastern) which is developing the engineering design for a siding, and it is likely construction will start as soon as weather permits, early 2023.

- Prolime for transload of pelletized lime and gypsum, and transload of lignin liquor.
- Webcor, for unloading rail shipments of roll stock (paper).

➤ Some additional marketing needs to be done to secure additional tenants for Davis Cartage. Potential commodities include lumber and sugar. Also, when we performed the previous study, Tri Mer expressed a need for a location to transload outbound dimensional shipments to move rail for long distances. Davis Cartage has adequate space to accommodate the dimensional loads.

1.2 Huron & Eastern (HESR) Transload and Potential SIT Terminal

1.2(a) Transload of Molten Wax. In the meeting with GAPac/Invista, Invista expressed a need to transload potential inbound rail shipments of molten wax to truck (possibly at Owosso) for local delivery. Reliable transportation is extremely important for wax shipments because wax solidifies as it cools so the equipment has to be in place for loading when the wax is ready to load. Truck transportation is very unreliable and trucking costs have increased dramatically. Rail is a preferred option because Invista has time after the cars are placed to steam and load the wax, versus truck drivers that show up unscheduled and demand immediate loading. Invista will also realize significant cost savings by switching to rail.

Hot wax moves by rail in coil insulated coil cars and it cools in transit, requiring steaming at destination for unloading or transfer. This involves a two-inch steam hookup to the bottom of the car, for steaming 4 – 8 hours, depending on the weather. The wax is siphoned off the top or bottom unloaded. Invista initiated a previous project to establish a transload, but the wheels fell off that project at the 1st hour, due to a problem on the supply side. However, that problem has been addressed. For the previous project, Invista had secured a commitment from a local trucking company to purchase and dedicate three steam trailers to this operation. This company is local, and it is likely they will be a willing participant in the transload operation.

All that will be needed in terms of location for the transload is a rail siding, or team track, or track lease in a rail yard with truck access. Because Invista has an immediate need for a rail option, this transload will be better suited to take place in HESR's rail yard at Durand, at least to start, with a possible relocation to Davis Cartage when the rail siding is installed and if desired by Invista. Since HESR will serve both locations, moving the transload will not result in lost business for HESR. As an aside, HESR previously expressed interest in this business, but they were rejected for a different rail carrier at that time. Invista is comfortable with our recommendation to locate the transload on HESR.

Next steps include:

- Contact and conduct a meeting with G&W and HESR with the objectives to confirm interest and to draft a *Go Forward* plan.
- Conduct additional research to identify an operator and to determine the plastic pellet producer that operates the SIT terminal in eastern Michigan.
- Prepare logistics maps to illustrate our region as a preferred location for a SIT terminal.
- Work with G&W to contact plastic pellet producers and participate in meetings to pitch our region. While not definite, this may require a trip to Houston for individual face-to-face meetings with the producers.
- Subsequently, we will meet with any interested parties in Michigan to tour the HESR rail yard as a potential SIT yard.
- If a tenant is secured, we will follow through, working with G&W to facilitate the necessary agreements.

1.3 Ag Terminal; Potential Mixed Commodities Transload

At our initial meeting, Sam Moore told Sandra Dearden that he viewed agriculture as the greatest opportunity for his area in Lapeer and Imlay City, so she started to explore some potential opportunities.

When Highroad performed the initial logistics study, Canadian National (CN) approached us with the need for space to load containers of grain for export, due to capacity issues in their Detroit intermodal terminal. At that time, we planned to propose Imlay City, but the wheels fell off that initiative. We do not know whether or not CN is still interested for the same reason, because they have since acquired some additional property at the terminal. However, there are some potential benefits to the railroad that we plan to present, and because of the shortage of truck drivers and the logistics involved transporting the grain to Detroit, we believe this is a viable concept.

Next, we conducted research to determine where farmers are purchasing their fertilizer. While there are a number of farm retailers in the area that sell fertilizer, there aren't any fertilizer distribution terminals that are rail-served in our region. Helena Chemicals (a former Highroad Consulting client) has a small operation at Imlay City, but they are ten miles from rail. Knowing the fertilizers originate in Saskatchewan, Florida and Louisiana, without rail Helena is probably not a strong contender. Mosaic, Cargill's fertilizer arm, has a terminal to distribute salt at Hershey, MI, but they do not sell fertilizers at that location. Therefore, we progressed with an idea of an ag terminal that could possibly include multiple services such as loading containers of grain not only for export, but also for domestic consumption since domestic intermodal is a high growth market, in addition to a small fertilizer distribution terminal with bins for the various dry fertilizers (potash, diammonium phosphate, urea).

1.4 Flint/Grand Blanc

There is a need for some miscellaneous meetings with interested parties in the Flint/Grand Blanc area, including Android Industries, ACI Plastics, and Robotics Company. A more complete list will be developed and followed up on. After we have listened and understand their businesses and logistics needs, we will prepare some logistics maps to decide if they can be served at any of the other planned terminals, or if we need to find and develop alternative(s).

Next Steps:

- Work with Sam Moore and Tyler Rossmassler to finalize a list of potential industries in their area.
- Conduct virtual meetings with interested parties.
- Prepare logistics maps; develop and implement a strategy.

1.5 Propane Terminal

This opportunity was submitted to Sandra Dearden by a Canadian National Vice President. In May 2022, the State of Michigan ordered closure of an oil and gas pipeline, which is still in dispute. However, shippers including propane companies are making plans to develop optional transportation and distribution plans. CN also gave Sandra contact information for the propane companies that would be interested, so she could measure interest. CN also suggested that she contact Watco, a logistics services provider and owner of numerous short line railroads, since Watco has developed and is operating similar terminals at other locations.

We have already made significant progress on this initiative during the initial five-month term of this project:

- The propane companies are interested in at least knowing more, but BP's decision maker's comment, "I would like to take a run at it," confirmed our decision to move forward.
- Watco is also interested. Several virtual meetings have taken place and a site tour is scheduled for August 17 with three executives of Watco, and a Senior Marketing official and Sales Rep from CN. The objective is to show Watco and the railroad two potential greenfield sites owned by the City of Durand. Watco advised they can acquire the property, design and operate the terminal, or they can do part. Whatever is needed. However, we will be pitching to Watco, to take over the total project.

Initially, CN's VP said this would involve bringing down 110-car unit trains from Canada for transfer and local distribution. However, when interviewing the propane companies, they said there is only one origin in Canada with track capacity to load unit trains.

2.0 THE OPPORTUNITY AND THE BENEFIT OF WORKING WITH A LOGISTICS EXPERT.

As mentioned in the previous SOW, Justin Horvath said, the Regional Partners are seeking professional assistance to "tie the loose ends together." Admittedly, this project has been more successful and bigger than we initially imagined. There is a lot at stake here. Rather than risk losing any of the opportunities, it will be more efficient to have an expert finish the projects. Also, there will be less of a learning curve which will shorten timelines and eliminate potential barriers to success.

We appreciate the opportunity to work on this project, and we commend the Board for their foresight and commitment to this project. Highroad has the contacts, the *Know How* and experience needed to confirm the feasibility and to land these projects. With your trust, support and continued commitment we look forward to celebrating our success at the end of this initiative.

3.0 PROPOSED PROJECT EXTENSION

This is a plan to complete this work in seven months; however, the initial agreement was for a five-month term which ended July 9, 2022. Therefore, Highroad has been working without a contract since July 10. This will be addressed in the fee structure below.

The term of this contract extension will be August 10, 2022, through March 9, 2023. The transition fee to cover July 10 – August 9 will be the same as the previous retainer fee and will be referred to as a mobilization fee for this second phase. We estimate it will take 430 – 450 consulting hours to complete, meaning Highroad will be committing Full-Time Equivalents (FTE's) for personnel, Dearden, 0.39; McKay and analyst 0.20. Because the amount of work required has increased, the monthly retainer fee will require a slight increase.

- A mobilization fee of \$11,020 will be invoiced and payable.
- The monthly retainer for the next seven-month term will be \$12,650.

Payment Terms will be the same:

- Fees will be in addition to out-of-pocket expenses. Expenses will be invoiced monthly.
- Payment terms are .5/10, net 30. A late charge of 2% per month will be assessed on balances past 30 days.

We appreciate your continued interest in Highroad, and the opportunity to present this proposed scope of work. We are on standby to respond to any questions that you might have.

