MINUTES
MUNCIE COMMON COUNCIL
TAX ABATEMENT COMPLIANCE
300 NORTH HIGH STREET
MUNCIE, INDIANA 47305

AUGUST 12, 2019

SPECIAL MEETING: 5:00 P.M., 1ST FLOOR CITY HALL AUDITORIUM.

PLEDGE OF ALLEGIANCE: Led by Councilperson Anderson.

ROLL CALL:	**PRESENT**	**ABSENT**
Denise Moore	X	
Nora Powell	X	
Brad Polk	x	
Julius Anderson	X	
Jerry Dishman	X	
Doug Marshall	X	
Lynn Peters		X
Dan Ridenour	X	
Linda Gregory	X	

TAX ABATEMENT COMPLIANCE

Attorney Joseph Hunter states pursuant to the meeting on June 26, 2019, there are two issues to deal with pertaining to tax abatement compliance.

NAVIENT (SALLIE MAE)

Pertaining to Navient, Hunter states the representative inherited the property in the abatement from the predecessor, Sallie Mae, pursuant to ordinance 38-12, 39-12. At that time, they had 636 employees, in which the Statement of Benefits said they plan to add an additional 200 employees. The compliance form that was filed for this year shows that they have 662 employees.
Jeff Wilmington, Fishers, Indiana, has been with Navient for 21 years and was part of the original transaction that they did for the airport property as a well as a second property. The agreement with Navient, the City of Muncie and the Muncie Redevelopment

Commission is in two-fold. There is an abatement that they requested but they have not taken any abatements and instead it was tied to the capital improvements that they put into the property. Mr. Wilmington has documents to show they put those capital improvements in but they have not received any abatements nor have they asked for any abatements. The second part of the agreement had to do with the purchase price of the building. They re-negotiated the purchase price by adding jobs and payroll to the community. If they did not hit those specific targets, there was a claw back mechanism put in place and a report that has been made due every February. They have complied with that report, as well as the claw back mechanisms and are currently at around 650 employees with the capacity to get up to about 900. The good news for the facility is that it is one of their highest performing facilities and the company really appreciates the city of Muncie. The average wages for a one-year tenured employee are almost $50,000, compared to $37,000 which was originally what was agreed upon. While they don't have the head count at where they want, the wages have been almost 60% higher than what was originally agreed upon. They produce almost $30 million in payroll a year just in that facility. The CF-1 form had two important things, 900 jobs and $30 million in payroll. Currently, the company is at $29.5 million in payroll for this year. All while they produce less jobs, still the actual payroll has been on target with the CF-1. Wilmington goes into further details about the CF-1 and explains he was initially working with Terry Murphy when they originally started. It was unbeknownst to Wilmington that Mr. Murphy was filing the documents on Wilmington's behalf. When Murphy transitioned out and Bruce Bowlin came in, Bowlin, as well, was filing the documents on Wilmington's behalf. As it can be guessed, Bowlin has since transitioned out. Todd Donati, as well as Wilmington, didn't understand that relationship and so the CF-1 forms, while Wilmington was filling them out and producing them within their package that goes in every February, were not getting filed properly with the tax assessor's office. On Friday, August 9, 2019, Wilmington made sure the most current CF-1 was filled out and provided to that office, in which, the company will make sure to do on a go-forward basis. It is important to understand that while there are around $300,000 of tax abatements on a CF-1, that to date they have not received any nor have they anticipated on receiving any based upon the performance they have provided as he described. Through the claw back mechanism, they have clawed back to the Muncie Redevelopment Corporation about $100,000 over the last three years. As part of their agreement, that if they did not hit their payroll targets, (which they do hit their payroll targets but not their hiring targets) that they would claw back that money and have to do discounted pricing. Some information about the Muncie building is that it was originally set up as a call center for student loan and collections servicing that is now transitioned to mostly servicing. They have also added a business called Extend Health Care, which is located out of Nashville, Tennessee, so they are diversifying the employee based there with healthcare. They also have a company called (inaudible) out of Austin, Texas who does toll collections as well as the Ohio River bridge toll road collections. They have a company there called Duncan Solutions that manages municipality collections for the city of Milwaukee and other agencies. They also have Pioneer Credit, who is one of only four private tax collectors doing IRS tax collection dept. What they have tried to do for that facility, while they have to been able to reach the 900-employee number, they have tried to diversify the employee base. There are currently 100 job openings right now and they anticipate to be in the 720-range of employees by the end of the year. They have been well over the $39 in payroll. Mr. Wilmington has copies of the agreement and reports that have been filed and can answer any questions.

Marshall asks Attorney Hunter if he has verified some of this information.

Mr. Wilmington states a few things effected their business in 2008, as well as a lot of businesses, obviously. In 2010, during the Affordable Care Act, one of the things that the federal government took over was student loan originations, meaning lending was taken away from private lenders. Sallie Mae, at the time, was one of the largest private lenders. That impacted that facility. That is why they started re-tooling the business and gotten into healthcare, municipality collections, other types of dept and servicing products for that office. It is one of their highest performing offices and he welcomes anyone to come and tour the facility.

Gregory clarifies that they have not had any tax abatements since 2015, when the new tax abatement agreement (38-12) would have kicked in. Wilmington states the agreement was signed in 2012 but they were under a previous agreement and that agreement rolled off. There was a span of time between 2012 and 2015 when the new agreement was going to kick in. From everything he has seen on all of his tax assessments, the abatements have been zero. He has copies to share. Gregory asks if they intent to take any tax abatement for the duration of what, two more years. Mr. Wilmington states the auditee of this tax abatement table was (that he received an early version of it and never received a final version of it) that it was a ten-year deal that was frontloaded, meaning that in the first five years, all of the abatements were received, and the last five years shows zero. It was not $300,000 divided by 10, it was $300,000 frontloaded. Gregory states that if it is anything other than the 10% less each year, that is included in the resolution that was passed. Mr. Wilmington states he did not see that in the letter that was provided to him. In the resolution he received, it did not have a tax table. What he received was a letter for internal use only and was between Terry Murphy and another person. It was two different version, 38-12 and 39-12, one being personal property and the other real property tax abatements. In both of those circumstances, in the agreement with the city, it was tied to capitol investments $4.9 million. If they hit that $4.9 million by the end of 2013, then they received 100% of the benefit, nothing tied to jobs, nothing tied to payroll. That is the way the agreement was written. Payroll and jobs were tied to the reduced purchase price of the building and the claw back of that purchase price. It is really two separate agreements piled into one. Gregory questions if the council can expect an abatement of taxes to take place for taxes payable in 2020, 2021 and 2022. Mr. Wilmington answers that they do not plan to file for any abatement.

Gregory questions Attorney Hunter if the council would be wise to rescind this resolution, rather than Mr. Wilmington having to file CF-1's every year that are meaningless. For him to file forms for something he is not getting makes no sense to her and it is confusing. Hunter explains statutorily, they can rescind the abatement by filing a resolution and going through normal regular meeting procedure. Hunter went back through his notes. Gregory states that was one of the reasons they wanted to call the company in was because they had not seen the CF-1's.

Todd Donati, Muncie Redevelopment Commission, does not know for sure but possibly it could create a negative impact if they rescind it. It is not doing anything. Either he is filing the CF-1's or he's not filing the CF-1's, it does not affect the city in any way. It can continue on. He already said he is not going to file and even if he does, it is zero. Donati recommends doing nothing and letting it flow through so there is no negative impact on it. Regarding the abatement itself, he is surprised. Thinking that the reason it was front loaded was because there was a bond that was involved that he paid off in 2014 that wasn't due until 2017. Donati paid it off early because they had the funds to be able to do that and saved a substantial amount of interest money in doing so. Right now, there really is not anything they need to be concerned about, other than making sure that the company stays here. He has seen buses and billboards with the Navient logo on them and they are trying like the dickens to get people hired. He wishes for the capacity to fill that 100 openings right now and hopes that they do get it filled. They are a good company and the city would love to keep them here. Donati thinks they are happy being here, as well.

Gregory is okay with not rescinding it, if it is not needed. On the other hand, she does not want it out there and someone get excited about it later on, for whatever reason. Mr. Wilmington states if it is a front-loaded table, it may be in the zero years. Gregory explain that front-loading stuff should have been in the resolution, being part of what council approves, in which they didn't apparently. The first time she heard of that was fairly recently.

Attorney Hunter confirms the last time he reviewed a CF-1 was 2014 through Sallie May. The motions that the council can make are that the company is 'in compliance' or 'is not in compliance.' The factor that they are not in compliance is not caused by market factors beyond their control. In other words, it can be remembered when auto companies were coming in and the council was reviewing four or five different companies each month. The auto industry tanked for a little while and lost markets all over the world. Those were the reasons for the decline in business. Mr. Wilmington expressed something similar where Obamacare came in and they lost some business.

Councilperson Ridenour asks to see the forms that show that there is no abatement, so that way they have had it or reviewed it and can say they have. Also, he asks about Mr. Wilmington's comment about how it is no longer collections. Mr. Wilmington reiterates it is primarily customer service. When Navient split with Sallie Mae, Sallie Mae was the "bank" and what they do is private lending. In the world of student loans, you can borrow money from the federal government but usually it is not enough to cover tuition, so you would have to go to the private market. You can do that various different ways, 401K, bank, etc. Sallie Mae is a private lender and Navient does do some collections for them because they are a processor of loans for the federal government and when the federal government took over lending, Navient now services those loans for the federal government. People call Navient asking the status of their loan, payment options and other things. The collections piece of it has diminished over time and the servicing piece has increased. The other piece of that is healthcare receivables that act as in behalf of the doctor's office. In essence, when you call the doctor's office, you're actually calling an extend healthcare professional and therefore, calling someone at the Muncie office. Ridenour then clarifies if they are equal in personnel intensive activities. In other words, does Mr. Wilmington need more collectors compared to servicers. Ridneour was aware the reason so many people made over $50,000 was a percentage bonus structure. Mr. Wilmington states yes, there is still a bonus structure in place. Ridenour asks even on just servicing. Wilmington answers yes. There are three different jobs that are open right now and is what they are reciting for over the next six months, about 100 jobs total. Ridneour asks if the need for just as many people in the servicing end as on the collection end. Wilmington states the entry level requirements are basically the same for any one of those three types of jobs. Ridneour asks what the opening are in each of those three areas. Wilmington states they have been re-tooling that office because they really like it and have received great production out of it. Some of their offices didn't survive 2008 and 2012, therefore, they have re-tooled and focused on the Muncie office. Wilmington provides documents to Ridneour to look over and explains it went out to the Assessors in which he receives a tax bill and tax assessment. On the assessment, typically, there is a place where abatements are applied and that discount can be seen. They did receive those in the first ten years because that deal was tied to abatements and jobs. In those ten years, they did not miss their goals once. It was when they added the additional 200 jobs which was a little more difficult plus the time and they way industry changes. The fantastic news and one of the goals that they have on the agreement is a one-year tenured employee minimum was $37,000 but more at like $39,000. 74% of their employee base has one-year tenure or more. Those are big deals.

A motion is made by Gregory and seconded by Powell to find Navient in Substantial Compliance with their information provided this evening, primarily that they are not currently taking tax abatements under 38-12 and do not anticipate taking them for the duration of the abatement period.
A roll call vote showed 9 yeas and 0 nays. MOTION CARRIED.

KEIHEN AIRCON NORTH AMERICAN, INC.

Attorney Hunter states that he reviewed the Statement of Benefits and the actual application itself on June 26th. He has since had some conversation with Ryan Coffel and this could be cleared up pretty shortly. Basically, what controls it is the Statement of Benefits, which says that the point was to retain jobs. The representatives were kind enough to attend tonight's meeting.

Ryan Coffel, (Pendleton, Indiana) Accounting Manager, alongside Mike Kepner, Senior Manager of Operations, showoff the intake manifolds which were the purpose of the abatement. The abatement was for job retention at 110 employees. The company currently employs 112 hourly employees. The product is for a Ford Civic or ZRV. Job retention is on the CF-1 as 110 and at the end of July, they had 112 hourly employees.

Gregory asks if the council has a copy of the latest CF-1 because she is not finding it. Coffel provides her with a copy. Marshall asks Hunter to approve this is accurate and to provide a copy with the Clerk for official filing.

Hunter apologizes for not providing the council with copies in this package. He explains they have 160 down for employees, not 112. These are the numbers he was going by. Just because of the confusion between the two documents, the council made the recollection of wanting to speak to a representative from to company to get more information.

Gregory reiterates that the number of employees has decreased and asks if they anticipate it staying at (about) that level or are they looking at further decreases. Coffel states they are staying at that level for the next three years looking at the forecast ahead, volumes will stay about the same as well as profits so they will have to maintain that. Gregory states of that 164 employees, they still have that 110 that were part of the retention of the original abatement. Coffel confirms and states they have a few more. Gregory says it is always good to have more. She continues to explain the council was confused because the numbers didn't make sense. Now, they do. It might help in their CF-1's going forward to indicate that 110, 112 number, Gregory suggests. They could still refer to the total employment but if they could specify where they are on that benchmark of 110, that would be helpful. Coffel states they will do.

Anderson requests explanation of the product the company makes and brought as an example tonight. Coffel explains it is the intake manifold, AP2 turbo that is on the turbo models on the Honda Accord, Honda CRV and one of the EX model of the Civic. They make about 4,500 per day for Honda products. The manifold gets passed to each council member. Coffel continues that they mold the plastic intake manifolds together and weld them together with ultrasonic welding. Then, it is ran down the assembly line where all the rest of the parts are installed. Anderson asks that this product is used in Honda Civics. Coffel answers yes, that one particularly is in some Civics but they have another model they make that goes into the other types. Anderson sees a big future in this then. Kepner states any of the council members are welcome to come out and tour the plant anytime.

A motion is made by Gregory and seconded by Powell to find Keihin Aircon North America be in Substantial Compliance based on the information presented this evening. A roll call vote showed 8 yeas, 0 nays and 1 absent (Peters). MOTION CARRIED.

ADJOURNMENT:

A motion was made by Gregory and seconded by Anderson to Adjourn. A vote by acclamation showed 8 yeas, 0 nays and 1 absent (Peters). ADJOURNED.