

## ADOPTED MINUTES

A special meeting of the Michigan Economic Growth Authority (MEGA) was held on the 4<sup>th</sup> Floor of the Victor Office Center, at 201 North Washington Square, Lansing, Michigan on May 28, 1998 at 9:30 a.m.

### Members Present:

Doug Rothwell  
David Porteous  
John McCormack  
Mary Lannoye (acting for and on behalf of Janet E. Phipps)  
Mark Hilpert (acting for and on behalf of Douglas Roberts)

### Members Absent:

Beth Chappell  
James R. DeSana

### Others Present:

Bob Beaugrand, Economic Development Director, Ypsilanti Township  
Linda Dankoff, MEGA Specialist/Account Manager, Michigan Business Development (MBD), Michigan Jobs Commission (MJC)  
Cristine Dreese, Secretary, MJC  
Pat Harrington, Muchmore, Harrington & Smalley  
Susan Lackey, Executive Director, Washtenaw Development Council  
Dennis Muchmore, Muchmore, Harrington & Smalley  
Jim Paquet, Secretary to the MEGA Board, MJC  
Mike Pohnl, Acting Deputy Director, MBD, MJC  
John Pollard, Vice President, Pollard (U.S.) Ltd./Webcraft  
Susan Shafer, Director of Communications, MJC

### Call To Order

The meeting was called to order by Chairperson Rothwell at 9:40 a.m.

### Adoption of the Minutes from the May 12, 1998 Meeting

It was moved, supported, and carried that the minutes from the May 12, 1998 meeting be adopted.

### Public Comment

There were no comments from the public.

### Action Items

***Pollard (U.S.) Ltd.  
1499 Buffalo Place  
Winnipeg, Manitoba CANADA R3T 1L7***

Chairperson Rothwell introduced Mike Pohnl from the MJC and asked him to present the project. Mr. Pohnl introduced Linda Dankoff, MEGA Specialist and Account Manager for the Pollard (U.S.) Ltd. project who in turn introduced John Pollard from Pollard (U.S.) Ltd., Pat Harrington and Dennis Muchmore from Muchmore, Harrington & Smalley, Susan Lackey from the Washtenaw Development Council and Bob Beaugrand from Ypsilanti Township. Mr. Pohnl then summarized the key points from the briefing memo on the project.

### Project Description

Pollard Banknote Limited has an instant lottery ticket printing facility in Ypsilanti Township, Michigan which currently employs 112 people. Due to increased sales projections in both U.S. and international lottery markets, Pollard needs to increase capacity and update existing technology.

This project would involve building a new 50,000 square foot manufacturing facility in either Ypsilanti Township, Michigan or Cedar Rapids, Iowa. Total investment is anticipated at \$8 million. The project would create 124 new jobs within three years, as well as retain the 112 workers now employed in Ypsilanti. The average weekly wage new workers would be paid is \$461 per week.

This facility will generate a total of 204 jobs in the state by the year 2010. Net state revenues through the year 2010, would be increased by \$4,639,000 (1998 dollars) due to the presence of the Pollard (U.S.) Ltd. facility. Based on figures obtained from the company, the annual cost disadvantage for Pollard (U.S.) Ltd., to establish its manufacturing facility in Ypsilanti, Michigan, rather than Cedar Rapids, Iowa, ranges from approximately \$1,327,000 to \$1,653,000 over the term of the incentive. The cost differential is primarily attributable to a labor cost differential, as well as property tax costs.

The State of Michigan will provide a 100 percent abatement of the six mill State Education Tax estimated to be worth \$193,462 over the term of the incentive. Ypsilanti Township will provide a 50 percent property tax abatement for a period of 12 years worth approximately \$1,213,458. In addition, the Michigan Jobs Commission will provide Economic Development Job Training Grant funds in the amount of \$62,000 (\$500 for each of 124 new employees).

Without the assistance offered by the MEGA program, Pollard (U.S.) Ltd. would not expand in Michigan.

### Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 75 percent for a period of 12 years for up to 124 net new jobs, and a business activity credit of 50 percent for a period of 10 years.

### Board Members' Discussion

Vice Chairperson Porteous gave the report of the Executive Committee indicating that it was recommending the Pollard (U.S.) Ltd. project to the full Board. Mr. Porteous stated that his initial reaction to the project was that it was not one that he would recommend to the Board. He was skeptical that Pollard would really move to Iowa because their facility and equipment is already here, the company has significant business with the State of Michigan, and there would be increased transportation costs to get the lottery tickets from Iowa to Michigan. At the Executive Committee meeting, Doug Rothwell shared a history of the company and explained that he felt that Pollard might very well move to Iowa. After the Committee meeting, Mr. Porteous spoke with individuals from Muchmore, Harrington & Smalley who conveyed the fragile nature of the company's ties to Michigan.

Mr. Porteous reported that he also contacted staff of Michigan's Lottery Bureau and found that the Bureau was very pleased with Pollard. They praised the quality of Pollard's products and they also commented on how well Pollard works with the Lottery Bureau when conducting business.

Mr. Porteous stated that it would be helpful to hear from the representatives of the company and the community about the project.

Susan Lackey of the Washtenaw Development Council indicated that when she joined the Council four years ago, there were concerns about Pollard (then Webcraft) pulling out of Michigan. Ms. Lackey stated that the Ann Arbor community relied heavily on manufacturing jobs at companies like Pollard.

Bob Beaugrand from Ypsilanti Township expressed his pleasure that Pollard was considering staying in Ypsilanti and stated that Pollard was a good corporate citizen. Mr. Beaugrand mentioned that the township has had difficulty attracting good businesses and that Pollard would be an excellent addition to the community.

John Pollard gave a history of Pollard. Sales for the company have grown from \$4 million to \$90 million in the last 12 years. In that same time period, they have grown from 50 employees to over 900 employees and the company anticipates continued growth. Pollard acquired the Webcraft Ypsilanti facility in December of 1996.

At that time, the decision was made to consolidate into one production facility and to reinvest in completely new technology. Webcraft had been unsuccessful because it had not had the capital to invest in new technology as the industry became more competitive on price. Mr. Pollard indicated that the company now had an opportunity to structure the Michigan operation to make money but only with renewal of the Michigan lottery contract and the MEGA tax credit. He said that the company expects to create approximately 250 jobs and acknowledged that the 112 people already employed by the company that are trained on the existing equipment are an advantage to locating in Michigan.

Chairperson Rothwell thanked the three individuals for speaking on behalf of the project and then asked for discussion from the Board. Mr. Porteous stated that it was great to hear the history of the company and the company's future plans and that Mr. Pollard had addressed all of the questions that he had. Board member McCormack asked about the wage differential between Michigan and Iowa. Mr. Pollard responded that the wage differential was attributable to lower medical costs in Iowa and to the fact that the starting wages the company would need to offer new employees in Iowa were considerably lower.

After discussion by the Board, it was moved, supported, and carried that Resolution 1998-009 awarding tax credits to Pollard (U.S.) Ltd. be adopted.

The meeting was adjourned by Chairperson Rothwell at 10:25 a.m.