**MAY 17, 2012**
**WALWORTH COUNTY BOARD OF SUPERVISORS**
**SPECIAL COUNTY BOARD MEETING**

The Walworth County Board of Supervisors meeting was called to order by Chair Russell at 9:01 a.m. in the County Board Room at the Walworth County Government Center, 100 W. Walworth Street, Elkhorn, Wisconsin.

Roll call was conducted and the following Supervisors were present: Tim Brellenthin, Vice-Chair Jerry A. Grant, Daniel G. Kilkenny, Kenneth H. Monroe, Carl Redenius, Tim Schiefelbein, Rick Stacey, David A. Weber, and Chair Nancy Russell. Richard Brandl and Joe Schaefer were absent. A quorum was established.

**Amendments, Withdrawals, and Approval of Agenda**

On motion by Supervisor Weber, seconded by Supervisor Stacey, the agenda was approved by voice vote with no withdrawals.

Supervisor Schaefer arrived at 9:04 a.m.

**Comment Period by Members of the Public Concerning Items on the Agenda**

There were none.

**Appointments**

1. Director of Central Services
   - Kevin Brunner, Director – Central Services (The Public Works Committee considered this appointment at their meeting on May 14, 2012 and the Human Resources Committee considered this at their meeting on May 16, 2012)

Administrator Bretl stated that the Public Works Committee and the Human Resources Committee unanimously approved the appointment of Kevin Brunner. He said he is pleased to announce Kevin Brunner as his nominee for Director of Central Services. He also said the idea of having this special meeting is to start the process so Mr. Brunner is able to give his notice to his current employer, which requires a 60-day notice, and he will start with the county mid-July. He stated the pay is within the range for the position, which was reduced prior to posting the position. He also stated that Highway Commissioner is included in the Director of Central Services position. Bretl extended his gratitude to the Public Works staff, especially Larry Price and Peggy Watson, who were able to keep things running for the months that this position was vacant. He stated it was a competitive process, which included writing samples and an extensive interview. He said Mr. Brunner has an eight year track record in Walworth County as the City Manager of the City of Whitewater. Bretl invited Mr. Brunner up to introduce himself and to answer any questions from supervisors.

Mr. Brunner thanked Chair Russell and members of the county board. He said he is honored to be here today as a nominee for this position. He also said he has been a municipal manager for 25 years and worked in the private sector for four years as well. He stated he has been in the City of Whitewater for eight years as their City Manager. He also stated this is a very good county government and he would like to help bring it to the next level. He also said as the economy is starting to turn, he sees the signs of positive things happening, and a safe and sound public infrastructure is essential to assisting the private business community in nurturing its growth. Supervisor Weber stated he has worked with Mr. Brunner in

the Walworth County Economic Development Alliance (WCEDA) and feels that the county could not have found a better candidate. He said he supports Mr. Brunner in his appointment to this position.

On motion by Supervisor Weber, seconded by Vice-Chair Grant, the appointment of Kevin Brunner to Director of Central Services was approved by voice vote.

**Human Resources**

1. Res. No. 17-05/12 – Approving an Employment Agreement By and Between Walworth County and Kevin Brunner as Director of Central Services – *Vote Required: Majority* (The Human Resources Committee considered this resolution at their meeting on May 16, 2012)

Chair Russell stated that this resolution was passed unanimously by the Human Resources Committee. On motion by Supervisor Weber, seconded by Vice-Chair Grant, **Resolution No. 17-05/12** was approved by voice vote. Chair Russell extended her congratulations to Mr. Brunner.

**New Business**

1. Res. No. 18-05/12 – Approving an Amendment to the Wisconsin Community Development Block Grant Agreement between the Wisconsin Economic Development Corporation, Walworth County and Crunch Holding Corporation – *Vote Required: Majority*

Bretl stated that Mike Van Den Bosch from WCEDA and Steven Sabatke from Wisconsin Economic Development Corporation (WEDC) are here to aid in the discussion of this item. Bretl said over the course of the last year, the county has been involved in this three party transaction with the state and Crunch Holding Corporation, also known as Birds Eye Foods. He also said it was originally an economic development grant or incentive that took the form of forgivable loans. He also said it involves $1.3 million of federal funds that passed through the State of Wisconsin and the county is the applicant. Bretl said there are two amendments that are being requested with regard to the forgivable loan and the agreement. He said the first amendment is fairly straightforward and he does not have any concerns about, which is changing the name from Crunch Holding Corporation to Birds Eye Foods. He said the second amendment is one that we need to get a little better understanding of. It has to do with how Birds Eye's contribution is being characterized for purposes of this agreement. Originally, the idea was the loan would be forgivable if Birds Eye created 127 new full time positions. He also said that Birds Eye's contribution initially when we applied for the grant and as contained in the promissory note, is for $28.5 million worth of investment. He stated the request being made is to reduce that contribution to $1.3 million. Deputy County Administrator-Finance Andersen stated when we first discussed this project with the state, they informed us there are two funds of money this grant can come from, which are either state or federal funds. She stated this grant comes from federal funds; therefore, we have to follow federal guidelines. She said that as a stipulation of forgiving this loan in the future, the company was going to be required to invest at least $29 million in assets. She stated her concern was that by changing this section of the contract it implies that Birds Eye's only requirement is a $1.3 million investment. She said that we need clarification from the state as to their interpretation of this. Bretl invited Mike Van Den Bosch and Steven Sabatke to the podium to discuss this item.

Steven Sabatke, a representative from WEDC, addressed the board. He said the first amendment is a name change to reflect that it is Birds Eye Foods LLC that will be creating the jobs not Crunch Holding Corporation, which is the parent company. He stated typically what they do with economic development projects with private businesses, they like to see the funding used for either equipment or working capital. He said when they initially came to the county with this project, it was a $1.3 million grant to the county which in turn would be loaned to the business in the form of a forgivable loan for them meeting certain economic development deliverables in terms of job creation, retention, and capital investment. He also

said the total project cost was about $30 million as far as equipment is concerned. He stated what they are attempting to do is streamline the process to make this more business friendly. He said if the contract is kept as it is, all of those expenses that are incurred by Birds Eye are going to have to be documented in such a way that they are going to have to take a look at those to make sure they meet the federal guidelines. He also said this is fine but it can be a burdensome process for the business itself when the goal of the program is to not have them buried in paperwork, but to create jobs, invest in the community, and grow the business. What they have asked for is a one-to-one match as far as the budget is concerned in the contract, which would be their $1.3 million to our $1.3 million. He said it does not change the scope of the project as it is still a $30 million project and still an investment of $30 million that is required on the part of Birds Eye Foods as part of the deliverables for forgiveness along with creating 127 new jobs by a certain date over and above a base that needs to be retained of 348 positions. He said the change itself is just to the budget so we can streamline this process for Birds Eye Foods in terms of documentation and meeting federal requirements, otherwise the project itself has not changed. He stated that as far as the forgivable loan is concerned, which is not a component of the community development block grant (CDBG), it is an agreement between us and the business. He said the business still has to make that investment. Vice-Chair Grant asked if they were hoping to be able to make some changes other than the way it is worded. Sabatke said no they are asking for the two changes to the contract, which is to the budget that is contained in the contract and the name change. He also said there are no federal requirements for a company match as there is nothing that states the company has to match a certain percentage or ratio to what is being provided through the CDBG.

Chair Russell asked Sabatke why the designation was not the $1.3 million from the beginning of the contract. Sabatke said this has been a long process and it has been almost one year since they first started this with the county and as everyone knows from reading in the newspaper that HUD, who is the administrator of this program, is being strict and more vigilant in their administration of the program. He also said they want to make sure with this particular project and their other economic development projects that the scope of the project and the budget of the project are such that we have the ability to meet the federal requirements.

Supervisor Weber asked how the county's risk changed. Bretl said that is what we are trying to understand with this dialogue. He said it was originally characterized as a $28.5 million contribution and that was the basis for the forgivable loan and now that is being reduced to $1.3 million. He stated one of the concerns that we have is that we are a party to this and it will be subject to our audit as well. He said we want to make sure this is something that is fully supported and legal to do when we are audited. He also said this is now amended down from $28.5 million to $1.3 million. He stated that from what he understands, it could be zero if the state wanted to characterize it that way and there would not be a requirement for any contribution by Birds Eye. He said they are staying with the $1.3 million. He asked Sabatke if that was solely for a piece of equipment or items of equipment or if that has been identified specifically. Sabatke said it was for multiple pieces of equipment. He also said he does not want to give everyone the impression that they are reducing the requirement that they have to invest at least $29 to $30 million to allow for the forgiveness also in conjunction with the job creation. He stated this is still in the contract and the promissory note. He said this kind of term where they require deliverables for forgiveness is something that is not part of a federal HUD audit as it is an economic development condition they put into this as they do with their other loans in certain cases. He also said the company is going to file an annual report with them to inform them where the company is at in terms of job creation, job retention, and investment so when we get to those dates in the contract we can make that decision on whether or not to ultimately forgive the loan. He stated they are looking at a change in the budget with a one-to-one match so they can streamline the process for the business and make sure they are covering all the bases in terms of the federal requirements for those expenses that will be documented. Supervisor Kilkenny stated that looking at the proposed amendment, there appears to be an error on the totals for

what is coming from CDBG-ED. He said he assumed it is supposed to be $1,306,000 with carrying down the administration costs. Sabatke said that is correct and he is the one who drafted the amendment and it is his error. He stated he can correct that once he gets back to the office. He said it is $1,306,000 because of the $6,000 for administration costs.

Andersen asked if we are unique in the fact that we are not requiring our private sector individuals to follow the Davis Bacon Act or is that typical of all WEDC's projects. Sabatke said they are following the Davis Bacon Act, but they are making sure the budget is manageable enough so that they are still going to document all these expenses and their Davis Bacon staff person will be reviewing it to see if Davis Bacon has to be invoked. He stated it is more manageable to do that with this budget as opposed to the one where it was up to $30 million. He said determining whether or not Davis Bacon applies is still a part of the requirement of any project that they do with CDBG.

Supervisor Weber asked Sabatke when you take the bigger company, Crunch Holding Corporation, and you transfer a legal document to Birds Eye, the smaller company, are you transferring the debt responsibility. He also asked Sabatke if there was any indication that Crunch Holding is considering a sale of this product or this division who would in turn transfer this to someone else that would not honor this. Sabatke said if that was the case, the company would have to notify them under the contract, but no, he is not aware of anything like that. He stated the reason for the change from Crunch Holding Corporation to Birds Eye Foods LLC is because Crunch Holding Corporation is the parent company and Birds Eye Foods is a part of that. He said Birds Eye will be the one creating the jobs not Crunch Holding Corporation.

Bretl stated he had a couple of questions so we can keep track of all of this in the minutes. He asked Sabatke that, given the physical plant has been constructed already if it was unusual or a problem to amend this after the construction is completed and asked if that is done in cases. Sabatke stated yes that is typical and they do amendments throughout various stages of the process with all of their contracts. Bretl stated that even though we are a party to this contract, we are certainly relying on the state's expertise in dealing with these funds and the federal government. He asked Sabatke that in his and WEDC's opinion, is this proper use of those federal funds for this amendment and the agreement in its entirety. Sabatke said in the CDBG-ED funds are typically used for equipment or working capital purposes.

Supervisor Weber made a motion to approve Resolution No. 18-05/12 and further to amend the figures to add $6,000 in administrative fees. Motion was seconded by Vice-Chair Grant. Supervisor Kilkenny expressed concern that since it is Crunch Holding Corporation that owns Pinnacle Foods who in turn owns Birds Eye Foods that the money is not staying in Wisconsin. He said this property is located in the Town of Darien where he is on the town board. He also said that Birds Eye is a very good company, they pay their people well and they have significant employment in the town. He stated they continue to expand because they have a good product and are in a good location. He said he does not think the $1.3 million is inducing them to create these jobs. He said he does not feel comfortable being involved in this process. He stated he thought that if we are being transparent, we should just write Crunch Holding Corporation a check for $1.3 million. He said this is not going to be a loan that is paid back because they are going to meet those targets as they are easy and because they are a good company; they are employing people and they will continue to do so. Bretl said if agreeable to the Supervisor who made the motion, line 40 of the resolution needs to be deleted. Supervisor Weber and Vice-Chair Grant were agreeable to this change. **Resolution No. 18-05/12** was approved as amended by voice vote. Supervisor Kilkenny requested his vote be recorded as "No".

**Comment Period by Members of the Public Concerning Items Not on the Agenda**

There were none.

**Chairperson's Report**

Chair Russell stated she had nothing to report.

**Adjournment**

On motion by Supervisor Stacey, seconded by Supervisor Kilkenny, the meeting was adjourned at 9:34 a.m.

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COUNTY OF WALWORTH)

I, Kimberly S. Bushey, County Clerk in and for the County aforesaid, do hereby certify that the foregoing is a true and correct copy of the proceedings of the County Board of Supervisors for the May 17, 2012 Special County Board meeting.