



**IOWA AGRICULTURAL
DEVELOPMENT DIVISION**

A DIVISION OF IOWA FINANCE AUTHORITY

IADD BOARD MEETING MINUTES

**Iowa Finance Authority
1963 Bell Avenue, Suite 200, Des Moines, Iowa
May 22, 2019**

Board Members Present

Lyle Borg, Chair
Mark Leonard, Vice Chair
John Fredrickson
Gretchen McLain
Annette Townsley

Board Members Absent

None

Staff Members Present

Lori Beary, Community Development Director
Debi Durham, Executive Director
Steve Ferguson, IADD Program Specialist
Ashley Jared, Marketing Director
Tammy Nebola, IADD Program Specialist
Becky Wu, Loan Servicing Specialist

Others Present

Dave Claypool, Dorsey & Whitney
Jean Wunsch, MABSCO
Stephanie Johnson, MABSCO

CALL TO ORDER

The meeting of the Iowa Agricultural Development Division (IADD) Board of Directors was called to order by Chair Borg on May 22, 2019 at 9:38 am. A quorum was established with the following Board Members present: Borg, Leonard, Fredrickson, McLain and Townsley. With it being Ms. McLain's first IADD Board meeting the Board and Staff spent time introducing themselves. Mr. Borg pointed out that Ms. Euken, who retired, she was a member of the loan committee. Mr. Fredrickson volunteered to serve on the committee in her absence but at some point it would make sense to have Ms. McLain serve on the committee, if willing, due to her financing background.

REVIEW OF MINUTES OF APRIL 24, 2019 BOARD MEETING

Mr. Borg presented the minutes of the April 24, 2019 IADD Board Meeting. Mr. Borg asked if there were any additions or corrections to the minutes. There was one correction to correct the budget title to FY20.

MOTION

On a motion by Mr. Fredrickson and a second by Ms. Townsley, the Board unanimously approved the minutes of the April 24, 2019 IADD Board meeting as corrected.

REVIEW OF APRIL 2019 FINANCIAL STATEMENT

Becky Wu presented the April 2019 financials. She stated that for FY19 year-to-date, IADD had operating income of \$591,000 operating expense of \$413,000 and net operating income of \$177,000.

MOTION

On a motion by Mr. Fredrickson and a second by Mr. Leonard, the Board unanimously approved the April 2019 financial statement as presented.

REVIEW OF FY20 BUDGET

The FY20 IADD budget was presented to the Board in April for review. The budget is very conservative. Fee income was estimated close to FY19, it also assumed that the BFTC allocation would increase to \$12 million. Net income will be similar to FY19. There were no further questions about the FY20 Budget.

MOTION

On a motion by Mr. Leonard and a second by Ms. Townsley, the Board unanimously approved the FY20 Budget as presented.

LOAN PARTICIPATION PROGRAM PRO RATA PAYMENT CORRECTION

Tammy Nebola presented the following LPP project which incorrectly applied principal payments to the joint BFLP loan without paying the pro rata portion on the LPP:

P0207 – Laura L. Lunders – American Bank, NA is the lender. Extra principal payments were made incorrectly so the Board must decide how to deal with the situation. There are two options, the first would be to make the lender reinstate a portion of the bank loan and pay the LPP down to the appropriate pro rata percentage. The bank loan is 40% and the LPP is 60%. The second option is to amend the Certificate and Agreement document to remove the pro rata payment requirement and leave things as they are now. The Board decided last month to have the lender reinstate their portion. The lender and borrower were both upset with the previous decision and the lender asked if there was an appeal process so it was brought back to the Board with additional information for reconsideration. Staff recommends to approve the appeal and amend the Certificate and Agreement. While proceeding with the bank loan reinstatement has adverse effects on IFA, the lender and the borrower, the Board is concerned with upholding the integrity of the program by not granting a waiver. There was an extensive discussion about which option to choose and the staff and Board concerns with each option.

MOTION

Mr. Leonard made a motion to deny the appeal request and proceed with the first option to correct the pro rata payment. The motion was seconded by Mr. Fredrickson. Mr. Borg stated that since there was a quorum he would not vote unless there was a tie. Ms. McLain voted against the motion and Ms. Townsley abstained from the vote. A majority vote was obtained to deny the appeal. The bank will need to buy back a portion of the LPP leaving the bank loan with 40% and the LPP with 60%.

BEGINNING FARMER LOAN AMENDING RESOLUTIONS

Tammy Nebola presented the following resolutions to adjust the terms and conditions on closed BFLP projects:

Resolution AG 17-093M – David J. Ruzicka – Luana Savings Bank in New Hampton is the lender. The amendment will change the amortization from 20 years to 30 years with a balloon payment at 20 years. The maturity date of September 5, 2038 will remain the same. Due to the re-amortization the monthly payment amount will decrease from \$1,590.43 to \$1,263.29 beginning on June 5, 2019. All other loan terms will remain the same.

MOTION

On a motion by Mr. Fredrickson and a second by Mr. Leonard, the Board unanimously approved the Beginning Farmer Loan Program Amending Resolutions.

BEGINNING FARMER LOAN APPLICATIONS

Project AG 19-031 was tabled in April until clarification of the machinery “Adjustment ownership” can be made and to ensure machinery is listed at fair market value.

MOTION

On a motion by Ms. Townsley and a second by Mr. Fredrickson, project AG 19-031 was removed from the table for consideration.

AG 19-031 – Landon and Kinsey Aldinger – Beginning farmer loan of \$125,000 to purchase approximately 34.63 acres of agricultural land in Franklin County. The loan will have a 4.50% variable interest rate and a loan length of 30 years. The index will be 75% of Iowa Falls State Bank's Prime Rate. The lender is Iowa Falls State Bank in Iowa Falls, Iowa. Clarification on the financial statement was provided that ensured the beginning farm is eligible.

MOTION

On a motion by Mr. Leonard and a second by Ms. Townsley, the Board approved the BFLP application AG 19-031.

Tammy Nebola introduced the following new applications for Beginning Farmer loans:

AG 19-034 – Tim and Tessa Kleiss – Beginning farmer loan of \$119,000 to purchase approximately 34 acres of agricultural land in Chickasaw County. The loan will have a 4.50%

variable interest rate and a loan length of 30 years. The index will be 55.38% of Banks Base rate. The lender is Northeast Security Bank in Fredericksburg, Iowa.

AG 19-035 – Elmer D. Hostetler – Beginning farmer loan of \$143,960 to purchase approximately 112 acres of agricultural land, house and out-buildings in Van Buren County. The loan will have a 5.3125% variable interest rate and a loan length of 30 years. The index will be fixed for 7 years then 85% of the banks 5 Year RE rate. The lender is Libertyville Savings Bank in Keosauqua, Iowa.

AG 19-036 – Ryan L. Paulsen – Beginning farmer loan of \$250,000 to construct a 2,400 Hd Hog Nursery in O'Brien County. The loan will have a 4.99% variable interest rate and a loan length of 14 years. The index will be 0.25% above the New York Prime Rate as published in the Wall Street Journal. The lender is First National Bank in Primghar, Iowa.

AG 19-037 – William J. Jr. Ruzicka – Beginning farmer loan of \$426,395.94 to purchase approximately 120 acres of agricultural land in Floyd County. The loan will have a 3.90% variable interest rate and a loan length of 30 years. The index will be fixed for 15 then equal to Wall Street Journal Prime. The lender is Luana Savings Bank in Ossian, Iowa.

MOTION

On a motion by Mr. Fredrickson and a second by Mr. Leonard, the Board approved the new BFLP applications.

PUBLIC HEARING ON BEGINNING FARMER LOANS

A public hearing was held by the IADD Board at the Iowa Finance Authority office on May 22, 2019 at 10:47 am. There were no comments received regarding the Beginning Farmer Loan applications. The public hearing was closed at 10:48 am.

MOTION

On a motion by Ms. Townsley and a second by Ms. McLain, the Board unanimously recommended approval of the BFLP Bond documents.

BEGINNING FARMER TAX CREDIT APPLICATIONS

Steve Ferguson presented a summary of the Beginning Farmer Tax Credit applications. There were 43 new BFTC applications for an estimated tax credit amount of \$263,058.97. He noted that of those, 21 are cash rent 21 are crop share and 1 is a hybrid lease.

MOTION

On a motion by Ms. Townsley and a second by Ms. McLain, the Board unanimously recommended approval of the Beginning Farmer Tax Credit applications as presented.

BEGINNING FARMER TAX CREDIT DOCUMENTATION

Lori Beary discussed the Beginning Farmer Tax Credit documentation. Currently the Board only receives a summary of the projects and an eligibility worksheet for each project but no verifying

documents. This is inconstant from the documentation they receive for the Loan programs. Staff has discussed what additional documentation could be provided to assist the Board in making their decision on Tax Credit projects. It was discussed to treat the projects similarly to the loan projects with “A” and “B” applications where “B” applications would include additional documentation. Some “B” application triggers discussed were:

- Net worth over \$575,000 – include financial statement
- Asset owner receives more than 60% of crop with a crop share lease – include appropriate pages of the lease that define the expense split
- Cash rent rate exceeds 30% over the ISU cash rent rate

The Board asked if there was a way to translate cash rent of 30% over the ISU cash rent rates to crop share projects. There is potential to add it during the rulemaking process. Staff will look into the options and get back with the Board on what can be done.

BFTC LEGISLATION AND FOLLOW-UP WITH FARM BUREAU

Debi Durham thanked the IADD Board for their legislation support. She does want to follow up with Farm Bureau so going forward, if there are program concerns, we will be involved in preliminary discussions instead of being defensive like we had to be this year. She would like to bring in the leadership from Farm Bureau after the next IADD in person meeting this summer.

MARKETING UPDATE

Included in the Board packet is the IADD marketing calendar. Mr. Ferguson reviewed some of the recent events he’s attended. He also discussed some upcoming events.

OTHER BUSINESS

Legislation put in code that IADD will be represented on the IFA Board as an Ex-officio voting member. IFA typically conducts their Board meetings on the first Wednesday of the month at the IFA office. Mr. Borg asked if there was an option to rotate IADD Board members to serve on the IFA Board. Lori Beary stated that IADD will designate a board member to serve on the IFA Board and they can change that at anytime. There was discussion about the IADD Board member’s drive times and schedules. Mr. Borg volunteered to serve for the first three months and then it can be readdressed with the IADD Board at that time. He would like to add an IADD monthly agenda item for a verbal update on the IFA Board meeting. There was some discussion about the possibility of changing the IADD Board meeting date to coincide with the IFA Board Meeting date to make it easier for an IADD Board member to attend both meetings.

NEXT IADD BOARD MEETING

The June IADD Board meeting will be Wednesday, June 26, 2019 at 8:30 am, via conference call. Ms. Townsley will be traveling and not on the June conference call.

ADJOURNMENT

On a motion by Mr. Fredrickson and a second by Mr. Leonard, the May 22, 2019 meeting of the IADD Board of Directors adjourned at 11:41 am.

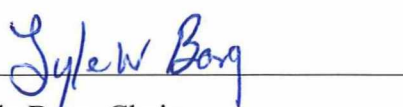
Dated this 26th day of June, 2019.

Respectfully submitted:

A handwritten signature in blue ink, appearing to read "Lori K. Beary", written over a horizontal line.

Lori K. Beary
Director's Designee/Board Secretary

Approved as to form:

A handwritten signature in blue ink, appearing to read "Lyle W. Borg", written over a horizontal line.

Lyle Borg, Chair
IADD Board