

ECONOMIC DEVELOPMENT COMMITTEE  
MINUTES: August 23, 1993

PRESENT

S. Shapiro, Chairman  
W. Corvo  
G. Souto

ABSENT

N. Conaway-Raczka  
public  
E. Pattavina

ALSO PRESENT

W. Kuehn  
L. Ozga  
S. Libby  
E. Corvo  
G. Rustek  
3 Other members of the  
  
Officer Clayton  
Sgt. Killen

Chairman S. Shapiro called the meeting to order at 7:04 p.m. in Room B-20 of the Municipal Building.

Public Session

Chairman Shapiro opened the public session at 7:04 p.m.

S. Libby questioned why the policemen were at the meeting citing an "obvious conspiracy". He questioned receipt of J. Belair's final report and offered: "The whole thing stinks to high heaven"; it is a "highly corrupt situation"; and, the City "doesn't want the final report because it (the City) would be forced to divulge the contents."

Mr. Libby then accused Officer Clayton of being "a corrupt cop" and summarized his statement by saying "you guys are juiced up and brain dead on crack."

Minutes

Upon a motion by G. Souto, seconded by W. Corvo, the Committee voted unanimously to approve the minutes of their August 9, 1993 meeting.

REINVEST Application: Santa Maria Bakery and Pizzeria Restaurant

Chairman S. Shapiro asked L. Ozga if she helped prepare the application. He noted that some items were not completed. L. Ozga acknowledged assisting in the application. It was noted that the Building Official's signature was not attached and some concerns are being addressed by the Health Department sanitarian J. Monopoly. S. Shapiro noted that the section dealing with liens and back taxes had not been completed. L. Ozga said that G. Rustek is working on a plan to pay back taxes. S. Shapiro reported the back taxes due are \$3,763.74. L. Ozga said G. Rustek will be in a better financial position after the loan to pay back the taxes; the City should be willing to work out a repayment plan.

There was discussion among Committee members and G. Rustek concerning going into an executive session. G. Rustek requested no executive session.

S. Shapiro said he would like to see Santa Maria stay in business. He has no problem with waiving guidelines to purchase equipment but he does have several problems primarily with his fiduciary responsibility to the taxpayers. He said that taxes owed go back to 1989; he has a problem making a loan to a debtor of the City. He suggested the indebtedness be paid from the loan. The problem of paying back the loan and the tax debt, even with energy savings, was noted. L. Ozga said that Neal Wehr has offered his assistance on the back tax issue.

G. Rustek said there are still problems in the North End such as the soup kitchen, kids and other negative influences.

S. Shapiro asked if there would be a co-signer to the loan. L. Ozga responded no. W. Corvo clarified that G. Rustek paid \$1,000 to the City on taxes last year. He said he needs some kind of an agreement in place for payment of the back taxes and asked if the loan could be used for taxes. L. Ozga said she advised G. Rustek to contact the Tax Collector to work out a schedule. W. Corvo asked what happens if taxes are paid first. L. Ozga said a payment plan makes sense. S. Shapiro said the energy savings are \$85 - \$90 per month.

W. Corvo felt the need of a financial pro-forma. He maintained he wants to help the situation, but they still need something showing financial confidence. W. Corvo continued that if approved without financial data, the City would be inundated with applications with no financial justification. Therefore the Committee needs to see a financial pro-forma. Without it, it would be hard to move to the next step, that is, the Common Council. He also expressed concern with the comments from Liberty Bank. G. Rustek said she needs the assurance of getting cash to pay back the loan and she is not ready to make a final decision on her financial ability.

S. Shapiro said he would like to see a list of existing equipment. L. Ozga said a list has been prepared. She said that a financial forecast has been prepared and there is a current equipment value of \$37,116. After improvements, the value of equipment will rise to \$50 - \$60,000. She said that Northeast Utilities requires a three year commitment to stay in business.

S. Shapiro noted that L. Ozga prepared the business plan and has spent considerable amount of energy with the applicant. He read excerpts of Jean Belair's report on Santa Maria noting that in March of 1993, the project had been turned over to L. Ozga for a REINVEST application. In April, L. Ozga did not support the application. S. Shapiro then asked L. Ozga why the 180 degree turn around? L. Ozga responded that J. Belair went to

G. Rustek and recommended a match with SBA; however, he made no effort to go to SBA. She said that SBA will not finance a project under \$40,000. She took the file in April, 1993 without a match and has since brought it back. She did not agree with the way Mr. Belair handled businesses.

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S. Shapiro said he would like to see Santa Maria stay on Main Street but he didn't feel he could go to the Common Council until receiving the requested information. He thought the Committee might be in favor of waiving the REINVEST Guidelines; however, he has a problem with the tax liability from 1989. Therefore, he wants to see financial forecasts and evidence that the equipment is sufficient to lien the loan.

W. Corvo asked if the \$1,000 payment was on the business. G. Rustek said it was. W. Corvo said it does not show on the public record and asked if it was pre-1989 taxes. He said that by paying off the back taxes with the loan reduces the interest rate from 18% on the back tax penalty to a 3% interest rate on the loan. He wanted to see a common sense business approach used.

W. Corvo stated that the "tax thing" has to be "put to bed" and; unless a tax schedule is worked out he could not vote in favor of this loan request.

W. Corvo asked that an agreement with the Tax Collector be worked out and asked staff, L. Ozga, prepare two cash flow scenarios: 1) the taxes paid off up front with a 3% REINVEST loan; and, 2) taxes repaid under an agreement with the Tax Collector.

W. Corvo suggested to G. Rustek that she request that the next meeting be held in executive session to protect her business interests.

G. Souto requested that staff, L. Ozga, forward this information to the Committee well in advance of the next meeting -- not the day before.

Upon a motion by G. Souto, seconded by W. Corvo, the Committee voted to table this request pending the receipt of additional information from staff.

Upon a motion by W. Corvo, seconded by G. Souto, the Committee voted unanimously to adjourn the meeting at 7:55 p.m.

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William M. Kuehn, Jr.

WMK/lmk

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