



City of Grand Island

Tuesday, May 22, 2012

Council Session

Item E5

Public Hearing on Proposed Economic Development Program

Staff Contact: Mary Lou Brown, City Administrator

Council Agenda Memo

From: Mary Lou Brown, City Administrator

Meeting: May 22, 2012

Subject: LB840, Economic Development Plan

Item #'s: E-5 & I-3

Presenter(s): Mary Lou Brown, City Administrator

Background

Almost ten years ago, the citizens of Grand Island joined together to take advantage of legislation that allowed our community to leverage existing resources in order to create the Grand Island Economic Development Program whose purpose is to retain and create jobs in our city.

By all accounts the program has been incredibly successful. Even better, the momentum we have generated is only just beginning.

Other communities in the state have looked to Grand Island as a leader in the economic development arena and we are proud to have served as a model for taking steps to encourage jobs and investment. It is imperative that we continue to move forward before they catch up!

The legislation that serves as the basis for this program requires voter approval every ten years. In order to continue the progress that has taken place, the citizens of Grand Island need to once again support this program at the ballot box.

Now, more than ever, cities need to be proactive about economic development. The health of Grand Island is directly tied to our economy. This program is important if our community wants to grow and add employment opportunities because it provides a strong foundation that allows us to increase investments in our community and puts us in a position to compete for businesses, not only statewide, but on a national level as well.

The Grand Island Economic Development Program has proved to be a community tool that encourages and stimulates quality job growth, attracts permanent investment and broadens the tax base, all of which leads to additional opportunities for all citizens.

Grand Island's potential is limitless. We can, and should expect to invite high paying jobs, meaningful capital investment and redevelopment efforts that complement existing industries, expand our economy and benefit taxpayers.

The most important thing we can do for our Grand Island is to retain and create jobs and investment. That is what the Grand Island Economic Development Program is all about.

Discussion

Included are a copy of the proposed Economic Development Program, ballot language for the November 2012 general election and the resolution.

A study session was held on this topic May 1, 2012. In addition to clean up items, the following are the substantive changes made to the Program document following the study session:

- 1) Section I, sixth full paragraph: The City Council President is now included as a liaison to the Citizen Advisor Review Committee.
- 2) Section IV (B): This section now reads as follows: "A qualifying business must be located within the city limits or the two mile planning and zoning jurisdiction of the City and applicants located within the County Industrial Tracts must be willing to request annexation to be eligible. Any exceptions to this policy must be granted by the City Council."
- 3) Section V, (D): The reference to the EDC has been removed and replaced with "as set forth by the approved agreement".
- 4) Section V, (G): A reference to the City Council has been added at the end of the second sentence of the section.
- 5) Section VI, first paragraph: The first sentence has been revised to read "The Program will be funded from all legally permissible sources of revenue. Funds generated..."
- 6) Section VI, first paragraph: The word "property" has been added to clarify the reference to "an amount in excess of four-tenths of one percent of actual valuation".
- 7) Section VII (C): The phrase "if available" has been added to the introductory comment: "For each application the GIAEDC will obtain, if available, the following..."
- 8) Section VII, (C): The second item in the list has been revised to read "Credit Report".
- 9) Section VII, (C), number 6: The following has been added to what was there "...including evaluating the existence of and the declaration of any conflicts of interest concerning the applicant's eligibility."
- 10) Section VIII, number 3: The phrase "GIAEDC Board of Trustees" has been added along with "GIAEDC" in the phrase, "...staff assisting the GIAEDC President..."
- 11) Section IX, number 1: This has been revised to reference only the Citizen Advisory Review Committee. Reference to the role of the City Council President and the City Administrator is now contained in Section I.
- 12) Section X, (C): The words "at the City's expense" have been added in regard to the work the City Attorney will complete.
- 13) Section XI, number 4: The wording in the first paragraph has been changed to mirror that used earlier in the document, "Must be located within the City limits or the two

mile planning and zoning jurisdiction of the City unless an exception is granted by City Council.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve the Economic Development Program and corresponding November 2012 general election ballot language
2. Postpone the issue to a future meeting.
3. Take no action.

Recommendation

City Administration recommends that the Council approve the Economic Development Program and corresponding November 2012 general election ballot language.

Sample Motion

Move to approve the Economic Development Program and corresponding November 2012 general election ballot language.

CITY OF GRAND ISLAND, NEBRASKA ECONOMIC DEVELOPMENT PROGRAM

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The legislation that serves as the basis for this program requires voter approval every ten years. In order to continue the progress that has taken place, the citizens of Grand Island need to once again support this program at the ballot box.

Now, more than ever, cities need to be proactive about economic development. The health of Grand Island is directly tied to our economy. This program is important if our community wants to grow and add employment opportunities because it provides a strong foundation that allows us to increase investments in our community and puts us in a position to compete for businesses, not only statewide, but on a national level as well.

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Grand Island's potential is limitless. We can, and should expect to invite high paying jobs, meaningful capital investment and redevelopment efforts that complement existing industries, expand our economy and benefit taxpayers.

The most important thing we can do for our Grand Island is to retain and create jobs and investment. That is what the Grand Island Economic Development Program is all about.

Need and Purpose

The economic development program is a community tool that encourages and stimulates the growth of quality jobs, attracts permanent investment, broadens the tax base, and diversifies the region's economic base that will lead to new opportunities and options for all citizens, ultimately improving the quality of life for all taxpayers in Grand Island and the surrounding region.

Grand Island's success for long term growth and prosperity has come with increased diversification with an overall goal of increasing per capita and median household incomes

throughout Grand Island and Hall County. Taking into consideration the very low unemployment rates that Hall County has experienced in recent years, our focus will be on attracting capital intensive instead of labor intensive businesses – businesses that hire skilled laborers to complement million-dollar production equipment and machinery. In addition, we will be targeting businesses that will provide employment opportunities for those who are underemployed in Hall County and those seeking professional positions.

SECTION I. GENERAL COMMUNITY AND ECONOMIC DEVELOPMENT STRATEGY

The Nebraska Legislature, in the Local Option Municipal Economic Development Act Neb. Rev. Statutes 18-2701, et seq., has made the following legislative findings: (1) there is a high degree of competition among states and municipalities in our nation in their efforts to provide incentives for businesses to expand or locate in their respective jurisdictions; (2) municipalities in Nebraska are hampered in their efforts to effectively compete because of their inability under Nebraska law to respond quickly to opportunities or to raise sufficient capital from local sources to provide incentives for business location and expansion decisions which are tailored to meet the needs of the local community; (3) the ability of a municipality to encourage business location and expansion has a direct impact not only upon the economic well-being of the community and its residents but upon the whole State as well; and (4) there is a need to provide Nebraska municipalities with the opportunity of providing assistance to business enterprises in their communities, whether for expansion of existing operations or creation of new businesses, by the use of funds raised by local taxation when the voters of the municipality determine that it is in the best interests of their community to do so.

The City of Grand Island faces stiff competition to recruit businesses to the community and to retain businesses that not only are presently operating in the community but also are considered anchors of the economic vitality of the City.

Prior to the passage of the Grand Island Economic Development Program, the City, through the Economic Development Corporation, competed as best it could to bring new business and new well-paying jobs to the community, but frankly had less ability to compete by not having available the tools granted by the Local Option Municipal Economic Development Act. The City believed that not having the ability to directly fund economic development activities in the past may have cost jobs and capital investment which otherwise would have been realized.

With the adoption of the economic development program, the City of Grand Island was able to directly contribute to economic development projects and thereby compete successfully for location of manufacturing facilities and other businesses to our community and retain those excellent employers currently within our community. The well-paying jobs and talented employees employed in these fields are critical to Grand Island. Those jobs are among the highest paying in the community and they attract the most capable and talented people in the work force.

The Local Option Municipal Economic Development Act became effective June 3, 1991, and authorizes cities and villages to appropriate and spend local sales tax and property tax revenues for certain economic development purposes. In 2011 the Nebraska Legislature added language to the act to allow other sources of revenue to be utilized including: funds generated from municipally owned utilities or grants, donations, or state and federal funds received by the city. An economic development program formulated by the City to implement this legislation is subject to the vote of the people.

The core of the process involves the formulation of a proposed plan for a local economic development program. The program forms the foundation for the expenditure of local revenues for economic development. As outlined in the legislation, a Citizen Advisory Review Committee appointed by the Mayor and approved by the City Council was created to advise, review and recommend proposals. This committee would continue in place with the new plan. The Committee will be comprised of seven members. All members must be registered voters in the City of Grand Island. It is recommended that professionals in the fields of accounting, banking and finance, business owners and business professionals be included on the Citizen Advisory Review Committee. At least one member of the Committee shall have expertise or experience in business, finance and accounting. Members may be removed in the same manner as appointed, subject to City Council approval. The term of four members will end in even numbered years and the term of the remaining three members will end in odd numbered years. Eligibility to continue service beyond the initial term is based on City Council approval. No member shall be an elected or appointed City Official, an employee of the City, a participant in a decision making position regarding expenditures of program funds, an official or employee of any qualifying business receiving financial assistance under the Program or an official or employee of any financial institution participating directly in the Program. Both the City Council President and the City Administrator or designee will serve as Liaison to the Citizen Advisory Review Committee. All Citizen Advisory Review Committee meetings are subject to open meeting laws. A quorum of four members is needed to officially hold a meeting.

The Citizen Advisory Review Committee (Section 18-2715) shall: (a) review the economic development program's function and progress at quarterly meetings and advise the City Council with regard to the program; and (b) report to the City Council on its findings and suggestions at a public hearing called for that purpose, at least once in every six-month period after the effective date of the ordinance.

An Economic Development Program has been prepared for submission, first to the City Council and, upon Council approval, to the voters of Grand Island. The City intends to use this tool to support economic development within the City.

SECTION II. STATEMENT OF PURPOSE DESCRIBING GENERAL INTENT AND PROPOSED GOALS

The general intent and goal of the Grand Island Economic Development Program is to provide jobs to the citizens of Grand Island, Nebraska, by encouraging and assisting local businesses to expand, create jobs and invest capital. An additional goal is to recruit businesses which results in creation of jobs and expansion of the tax base. The impact of the Program will be based on the

results attained by the approved applicants. The following are the measurements: jobs created and retained by the approved applicants as measured at the end of ten years, the dollars invested by the approved applicants in fixed assets and business equipment over the ten years and the growth in valuation of the approved applicants' real property. Each applicant will be considered on its merits, but priority will be given to jobs created and/or retained at or above average wage and benefits for the community.

SECTION III. TYPES OF ECONOMIC ACTIVITIES THAT WILL BE ELIGIBLE FOR ASSISTANCE

A. Definition of Program

Economic Development shall mean any project or program utilizing funds derived from the Program which funds will be expended primarily for the purpose of providing direct financial assistance to a qualifying non-retail business, the payment of related costs and expenses, and/or through a revolving loan fund. The purpose of the Program is to increase employment opportunities, business investment within the community and greater economic viability and stability.

B. Eligible Activities

The Economic Development Program may include, but shall not be limited to, the following activities:

- 1) A revolving loan fund from which performance based loans will be made to non-retail qualifying businesses on a match basis from the grantee business and based upon job creation and/or retention, said jobs to be above the average wage scale for the community.
- 2) Public works improvements and/or purchase of fixed assets, including potential land grants or real estate options essential to the location or expansion of a qualifying business or for capital improvements when tied to job creation criteria or when critical to retention of jobs of a major employer within the community, which equity investment may be secured by a Deed of Trust, Promissory Note, UCC filing, personal and/or corporate guarantees or other financial instrument.
- 3) The provision of technical assistance to businesses, such as preparation of financial packages, survey, engineering, legal, architectural or other similar assistance and payment of relocation or initial location expenses.
- 4) The authority to issue bonds pursuant to the Act.
- 5) Grants or agreements for job training.
- 6) Interest buy down agreements or loan guarantees.

- 7) Other creative and flexible initiatives to stimulate the economic growth in the Grand Island area (activities which may be funded through the Economic Development Program or General Fund as authorized by Section 13-315 R.R.S.).
- 8) Commercial/industrial recruitment and promotional activities.
- 9) Payments for salaries and support of City staff or the contracting of an outside entity to implement any part of the Program.
- 10) End destination tourism related activities.
- 11) Reduction of real estate property taxes for City of Grand Island to stimulate local economy.
- 12) Direct loans or grants to qualifying businesses for fixed assets, working capital or both.

SECTION IV. DESCRIPTION OF TYPES OF BUSINESSES THAT WILL BE ELIGIBLE

- A. A qualifying business shall mean any corporation, partnership, limited liability company or sole proprietorship that derives its principal source of income from any of the following:
 1. The manufacturer of articles of commerce;
 2. The conduct of research and development;
 3. The processing, storage, transport, or sale of goods or commodities which are sold or traded in interstate commerce;
 4. The sale of services in interstate commerce;
 5. Headquarters facilities relating to eligible activities as listed in this section;
 6. Telecommunications activities; or
 7. End destination tourism-related activities.
- B. A qualifying business must be located within the City limits or the two mile planning and zoning jurisdiction of the City (18-2709) and applicants located within the County Industrial Tracts must be willing to request annexation to be eligible. Any exceptions to this policy must be granted by the City Council.
- C. Any other business deemed a qualifying business through future action of the Legislature.

SECTION V. REVOLVING LOAN FUND/ PERFORMANCE BASED LOANS

- A. The amount of funds available for any single project shall not exceed the amount of funds available under the Economic Development Program during the project term, nor shall it provide for more than fifty percent (50%) of total project costs. An applicant must provide participation and evidence of participation through private funding as distinguished from federal, state, or local funding in the minimum amount of fifteen percent (15%) equity

investment. The right is reserved to negotiate the terms and conditions of the loan with each applicant, which terms and conditions may differ substantially from applicant to applicant.

- B. The interest rate shall be negotiated on an individual basis. The term shall not exceed fifteen (15) years for loans used for real estate and building assets and not to exceed seven (7) years for loans involving any other asset category such as furniture, fixtures, equipment or working capital. Security for loans will include, but will not be limited to, Promissory Notes, a Deed of Trust, UCC filings and personal and/or corporate guarantees as appropriate and may be in a subordinate position to the primary commercial or government lender.
- C. The amount of funds available for any project in excess of \$50,000 will be disbursed to the applicant in a defined schedule.
- D. If the loan is approved as performance based, a qualifying business may be approved to recapture on a grant basis all or a portion of the loan amount as set forth by the approved agreement based upon job creation or retention and economic impact of the project to the community.
- E. A loan repayment schedule providing for monthly, quarterly or annual payments will be approved in conjunction with project approval. Repayments will be held in the LB-840 Economic Development fund for future projects as approved.
- F. The City Administrator or his/her designee is responsible for auditing and verifying job creation and retention and determines grant credits toward any loans made. No grant credits are available unless pre-approved in the initial application and project approval and no grant credits are available beyond the level initially approved.
- G. The Revolving Loan Fund and its portfolio of loan funds will be audited annually by a selected firm of certified public accountants. The audits will be funded by the Economic Development Fund and the findings will be presented to the Citizens' Review Committee and the City Council.
- H. The City Administrator will be the Program Administrator. The City Administrator may appoint a designee with the consent of the Mayor. The Finance Director will be responsible for the financial and auditing portions of the plan.

SECTION VI. SOURCE OF FUNDING

The Program will be funded from all legally permissible sources of revenue. Funds generated from the Grand Island Utilities shall be used for utility-related purposes or activities associated with the economic development program, including, but not limited to, load management, energy efficiency, energy conservation, incentives for load growth, line extensions, land purchase, site development, and demand side management measures. The City shall not appropriate from the general fund for approved Economic Programs, in any year during which such programs are in existence, an amount in excess of four-tenths of one percent of actual property valuation of the City of Grand Island in the year in which the funds are collected, and further, will be subject to

the limitation that no city of the First Class shall appropriate more than two million dollars in any one year. The City of Grand Island shall appropriate \$750,000 in some combination of General Fund and Electric Utility Fund and any Federal or State Grants and any donations annually for the Economic Development Program. If, after five full budget years following initiation of the approved Economic Development Program, less than fifty percent of the money collected from local sources of revenue is spent or committed by contract for the Economic Development Program, the governing body of the City shall place the question of the continuation of the City's Economic Development Program on the ballot at the next regular election.

A. Time Period for Collection of Funds

Annual funding for the program will be \$750,000. These funds will be allocated commencing with the FY 2014 budget year, beginning October 1, 2013 and will continue for 10 years. The annual amount of \$750,000 will be divided each year into incentive and administrative/promotion authorized expense levels. The portion allocated to administrative/promotion will be paid in four quarterly payments to the GIAEDC who administers the program on behalf of the city.

B. Time Period for Existence of the Program

The Economic Development Program will be in effect beginning October 1, 2013 and will continue for 10 years.

C. Proposed Total Collections from Local Sources

The total amount of City General Fund revenues to be committed to the Economic Development Fund Program for 10 years is \$7,500,000.

D. Basic Preliminary Proposed Budget

It is anticipated that the proposed annual total budget of \$750,000 will be allocated to the Economic Development Fund.

SECTION VII. APPLICATION PROCESS FOR FINANCIAL ASSISTANCE TO BUSINESSES

A. Application Process and Selection of Participants:

Businesses seeking assistance will be required to:

1. Complete an application which may be obtained from the GIAEDC or the City of Grand Island.
2. Submit the completed application together with all information as set out below to the GIAEDC or the City of Grand Island. The GIAEDC Board of Trustees will review, along with the Program Administrator, the application and supporting information. The board will make a determination: a) as to the eligibility of the application and organization making the application; b) verify the accuracy of the information

provided; c) take action as to deny the application and proposed agreement or forward it to the Citizen Review Committee to approve or deny the application and proposed agreement or forward it to the City Council for action. An overview of the proposed application shall contain sufficient information to make an informed decision yet maintain confidentiality of information that, if released, could cause harm to such business or give unfair advantage to competitors.

B. Information Required:

The qualifying applicant shall provide the following information before any application is considered by the GIAEDC Board of Trustees:

1. A business description verifying that the business satisfies program goals and intentions and is an eligible project and company
2. A business plan for the project
3. Income statements covering the last three years and pro forma for the next three years
4. Financing requirements and commitments from financial institutions, investors, etc., relating to the project/purpose being funded
5. A list of key management, employees and their skills and experience related to the project

C. Verification Process:

For each eligible application the GIAEDC will obtain, if available, the following reports and complete the listed examinations:

- 1). Credit check
- 2). Credit Report
- 3). Examine information required
- 4). Examine internal records
- 5). Obtain oral and written verification of application information
- 6). Other investigations as may be deemed necessary including evaluating the existence of and the declaration of any conflicts of interest concerning the applicant's eligibility.

Once the information has been compiled, the Plan Administrator will review the application and related information. Additional information may be requested at this time from the applicant.

SECTION VIII. PROCESS TO ENSURE CONFIDENTIALITY OF BUSINESS INFORMATION RECEIVED

In the process of gathering information about a qualifying business, the GIAEDC and City may receive information about the business that is confidential and, if released, could cause harm to such business or give unfair advantage to competitors. The GIAEDC and City shall endeavor to maintain the confidentiality of business records that come into its possession.

To protect businesses applying for assistance and to encourage them to make full and frank disclosure of business information relevant to their application, the GIAEDC and City has or will take the following steps to ensure confidentiality of the information it receives:

- 1) City Code §38-10 has been enacted to make such information confidential and punishes disclosure in violation of State or City law by any City elected or appointed officials, City employees, GIAEDC employees, and members or the Citizen Advisory Review Committee;
- 2) The GIAEDC office will maintain the files and will be primarily responsible for their safekeeping and any distribution of information contained therein; and
- 3) Require personnel involved in the Program Review, including GIAEDC President, GIAEDC Board of Trustees staff assisting the GIAEDC President, Citizen Advisory Review Committee, and City staff, to sign statements of confidentiality regarding all personal and private submittals by qualified businesses.

SECTION IX. ADMINISTRATION SYSTEM FOR ECONOMIC DEVELOPMENT PROGRAM

A. Program Administration

- 1). The GIAEDC will administer the program on behalf of the City. If that organization were to no longer exist, the City reserves the right to administer the Program itself or name a new agent who would perform the administration functions of the Program.
The Citizen Advisory Review Committee will hold quarterly meetings to review the functioning and process of the Economic Development Program and advise the City Council with regard to the Program. The Citizen Review Committee will track participating businesses' employment figures for two years if said businesses employ persons in other Nebraska communities. (Section 18-2709)
- 2). The Program Administrator, in cooperation with the GIAEDC President, will review on a quarterly basis, the progress of ongoing projects to ensure the qualifying businesses are complying with the terms of any approved project.
- 3). The Program Administrator, in cooperation with the GIAEDC President, will advise the Mayor and City Council on a semi-annual basis regarding the status of ongoing activities in the Economic Development Program.
- 4). A 3% fee will be retained by the City of Grand Island for program administration.

B. Revolving Loan Program Administrator

1. Provide to the City Council on a quarterly basis an account of the status of:
 - a. Each outstanding loan.
 - b. Program income.
 - c. Quarterly updates of current investments of unexpended funds (Section 18-2720)
2. Keep records on accounts and compile reports that include:
 - a. Name of borrower
 - b. Purpose, date, amount and basic terms of loan.
3. Payments made to date and current balance due (Section 18-27200)

4. Regularly monitor each loan's status and, with cooperation from the City Council and primary lender(s), take appropriate action on any delinquent loans (Section 18-2720)

SECTION X. PROCESS TO ASSURE LAWS, REGULATIONS AND REQUIREMENTS ARE MET BY THE CITY AND QUALIFYING BUSINESSES

The City will assure that all applicable laws, regulations and requirements are met by the City and the qualifying businesses that will receive assistance as follows:

A. Program Review

The Ordinance establishing the Program shall provide for the ongoing existence of a Citizen Advisory Review Committee to:

- 1). Review the functioning and progress of the Economic Development Program at quarterly meetings as set forth by ordinance and to advise City Council with regard to the Program, and
- 2). Report to the City Council on its findings and suggestions at a public hearing called for that purpose at least once in every six-month period after the effective date of the ordinance.
- 3). Maintain confidentiality of all business information supplied by applicants pursuant to City Code §38-10.

B. Monitor Participating Businesses

The Program Administrator, in cooperation with the GIAEDC President or appointed contract loan administrator, will conduct reviews on a quarterly basis to ensure that qualifying businesses are following the appropriate laws and regulations and meeting the terms and conditions of assistance.

C. Monitor Regulatory Changes

The City Attorney will be responsible for keeping the City informed of relevant changes in the law that could affect the Economic Development Program and will review Agreements, Deeds, Leases, Deeds of Trust, Promissory notes, security documents, personal and/or corporate guarantees and other documents relating to specific projects or to the Program as a whole.

The City Attorney will prepare, at the City's expense, all legal and binding agreements for potential City Council approval.

- D. The City shall provide for an annual, outside, independent audit of its Economic Development Program by a qualified private auditing business.

SECTION XI. PURCHASE OF REAL ESTATE OR OPTION TO PURCHASE

If and when real estate is to be purchased or optioned by the City under the Program, it should meet the following general criteria:

- 1). Be properly zoned with no excessive easements, covenants, or other encumbrances;
- 2). Should conform and be able to be re-zoned to comply with the City's or County's Comprehensive Plan;
- 3). Should have commercial or industrial development potential within a ten-year period; and
- 4). Must be located within the City limits or the two mile planning and zoning jurisdiction of the City unless an exception is granted by City Council.

Any decision to purchase land will be made in a manner consistent with that used to approve applications for financial assistance as detailed in Section VII. Any proposal to purchase land must be approved by the GIAEDC Board, the Citizen Review Committee and finally, the City Council. The proceeds from the future sale of such land would be returned to the Economic Development Program Fund for reuse for any activities eligible in the Program or for additional land purchases.

SECTION XII. INVESTMENT OF ECONOMIC DEVELOPMENT FUND

The City will establish a separate Economic Development Program Fund. All funds derived from local sources of revenue for the Economic Development Program, any earnings from the investment of such funds, any loan payments, any proceeds from the sale by the City of assets purchased by the City under its Economic Development Program, or other money received by the City by reason of the Economic Development Program shall be deposited into the Economic Development Fund. No money in the Economic Development Program Fund shall be deposited in the General Fund of the City except as provided by statute. A 3% administrative fee will be retained by the City for program administration. The City shall not transfer or remove funds from the Economic Development Fund other than for the purposes prescribed in the Act and this Program, and the money in the Economic Development Fund shall not be co-mingled with any other City funds. Any money in the Economic Development Fund not currently required or committed for the purposes of Economic Development shall be invested as provided in Section 77-2341 R.R.S. Nebraska. In the event the Economic Development Program is terminated, any funds remaining will be transferred as provided by statute to the General Fund of the City.