


PUBLIC NOTICE

DEVELOPMENT CORPORATION OF ABILENE, INC.

A regular meeting of the Development Corporation of Abilene, Inc. will be held on Monday, January 26, 2015, at Abilene Laboratories conference room, 1325 Pine St., Abilene, Texas, commencing at 1:30 p.m. to consider the following agenda:

SIGNED:



Kent Sharp, CEO

AGENDA

January 26, 2015
1:30 p.m.

Abilene Laboratories Conference Room
1325 Pine St.

1. Call the meeting to order.
2. Approval of minutes from the January 13, 2015, board meeting.
3. Status of Funds report for December 2014.
4. Executive Session:
The DCOA reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any item on the agenda, as authorized by Texas Government Code Sections 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.074 (Personnel Matters) see list below, and 551.087 (Business Prospect/Economic Development). After discussion in executive session, any action or vote will be taken in public.

(Personnel) Section 551.074
The DCOA, pursuant to the adopted Bylaws, may consider the appointment, employment and duties of certain positions as well as membership of certain committees.

(Consultation with Attorney) Section 551.072
Discuss DCOA v. Slide Fire litigation.
5. Discussion and possible approval of a resolution authorizing additional funding for improvements to the DCOA-owned Vine St. warehouses for occupancy by Abimar Foods (formerly Fehr Foods).
6. Discussion and possible approval of a resolution re-authorizing Phase 5 assistance for Petrosmith (formerly Smith Pipe).
7. Adjournment.

CERTIFICATE

I hereby certify that the above notice of meeting was posted on the bulletin board at the City Hall of Abilene, Texas, on the _____ day of _____, 2015, at _____.

City Secretary

NOTICE

Persons with disabilities who would like special assistance or need special accommodations to participate in this meeting should contact Department of Economic Development, (325) 676-6390, at least forty-eight (48) hours in advance of this meeting. Telecommunication device for the deaf is (325) 676-6360.

5. **DISCUSSION AND POSSIBLE APPROVAL OF A RESOLUTION AUTHORIZING THE SALE OF A .953 ACRE LOT AT 1842 HWY 351:** CEO of the DCOA Kent Sharp recommended that the board approve the sale of a .953 acre tract of vacant land at 1842 Hwy 351 for \$525,000. This vacant land is the remaining portion of 1.86 acres that the DCOA purchased from Region 14 Education Service Center in order to extend Enterprise Drive from Hwy 351 to East Lowden Rd to benefit Coca Cola's truck driving route after TxDOT converted the access roads for I-20 to one-way.

John Beckham moved to approve resolution DCOA-2015.03 authorizing the sale of vacant land at 1842 Hwy 351 for \$525,000. Scott Senter seconded and the motion was carried.

4. **EXECUTIVE SESSION – SESSION 2:**

I hereby announce we are going into Executive Session pursuant to Texas Government Code Sections 551.071, 072, 074 and 087 to consult with our legal counsel, discuss real property transactions, personnel matters, and discuss economic development negotiations involving a business prospect, as set forth on the agenda. Any vote or action will be taken in open session.

President Dave Copeland announced the date is January 13, 2015, and the time is 2:34 p.m. Later, President Copeland announced the date is still January 13, 2015, and the time is 2:55 p.m. No vote or action was taken in Executive Session.

6. **ADJOURNMENT:**

The next meeting is scheduled for Monday, January 26, 2015. There being no further business the meeting was adjourned.

Dave Copeland, President

DEVELOPMENT CORPORATION OF ABILENE
STATEMENT OF NET POSITION
December 31, 2014 and 2013

	<u>December 2014</u>	<u>December 2013</u>
Current Assets:		
Cash and cash investments	\$ 16,477,665	\$ 19,120,689
Accounts receivable	173,059	35,293
Due from other governments	<u>1,847,609</u>	<u>1,702,786</u>
Total Current Assets	<u>18,498,333</u>	<u>20,858,768</u>
Noncurrent Assets:		
Notes receivable	17,360,312	15,992,013
Capital assets	47,929,002	44,144,817
Accumulated depreciation	<u>(8,633,256)</u>	<u>(7,776,020)</u>
Total capital assets, net	<u>39,295,746</u>	<u>36,368,797</u>
Total Noncurrent Assets	<u>56,656,058</u>	<u>52,360,810</u>
Total Assets	<u>\$ 75,154,391</u>	<u>\$ 73,219,578</u>
Liabilities		
Current:		
Accounts payable	\$ <u>384,902</u>	\$ <u>51,851</u>
Total Current Liabilities	<u>384,902</u>	<u>51,851</u>
Total Liabilities	<u>384,902</u>	<u>51,851</u>
Net Position		
Net Investment in capital assets	39,295,746	36,368,797
Restricted for contractual obligations	29,643,015	23,196,264
Unrestricted, designated for purposes of trust	<u>5,830,728</u>	<u>13,602,666</u>
Total Net Position	<u>74,769,489</u>	<u>73,167,727</u>
Total Liabilities and Net Position	<u>\$ 75,154,391</u>	<u>\$ 73,219,578</u>

DEVELOPMENT CORPORATION OF ABILENE
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For three month ending December 31, 2014 and 2013

	<u>December 2014</u>	<u>Fiscal YTD 2015</u>	<u>Fiscal YTD 2014</u>
Revenues:			
Sales and use taxes	\$ 836,922	\$ 2,693,469	\$ 2,478,388
Interest income	3,683	10,917	9,768
Building rental / land lease	84,149	252,465	266,926
Sale of land	163,635	163,635	201,013
Miscellaneous revenue	9,366	20,080	19,861
Total Revenues	<u>1,097,755</u>	<u>3,140,566</u>	<u>2,975,956</u>
Expenses:			
Economic development projects	1,005,833	2,373,880	2,262,171
Life Sciences property maintenance	27,989	116,607	99,376
DCOA property maintenance	17,909	69,100	78,648
Abilene Industrial Foundation	26,470	69,274	104,949
TTU Small Business Development Center	12,994	28,350	32,550
Chamber Military Affairs	24,272	48,753	-
Airport Business Development Manager	7,537	13,162	22,254
General administrative services	45,296	129,922	159,951
Total Expenditures	<u>1,168,300</u>	<u>2,849,048</u>	<u>2,759,899</u>
Changes In Net Position	(70,545)	291,518	216,057
Net Position at Beginning of Period	<u>74,840,034</u>	<u>74,477,971</u>	<u>72,951,670</u>
Net Position at End of Period	<u>\$ 74,769,489</u>	<u>\$ 74,769,489</u>	<u>\$ 73,167,727</u>

Summary of Current Period Economic Development Projects:

Vine St. Fehr Foods	\$ 21,044
Biotech Mktg	125
Hangar Doghouse AE	251,041
EASI De-Fuel Truck	1,750
Polaris Dr. Construction	272,326
Spec 3 Finish Out Construction	379,756
842 Pine Boiler Replacement Equipment	4,870
842 Pine Boiler Replacement Construction	22,473
TTUHSC FY15 Expelmmune	46,500
Fulwiler Land Purchase	5,948
Total	<u>\$ 1,005,833</u>

**Development Corporation of Abilene
Economic Program Status
As of December 30, 2014**

Economic Programs:	Project	Amount Obligated	Prior Years Disbursement	Current Year Disbursement	Balance reserved for obligated programs
Murf Systems	4998	\$ 235,665	\$ 235,665	\$ -	\$ -
TTU Pharmacy School	5242	1,524,992	1,524,992	-	-
Pactiv (formerly PWP)	5251	2,933,899	2,507,899	-	426,000
Energy Maintenance Serv (Broadwind Serv)	5282	268,598	268,598	-	-
TTU 842 Pine	5308	536,450	532,999	-	3,451
Enavail, LLC	5316	386,240	386,240	-	-
Pepsi Beverage Co.	5321	350,000	140,000	-	210,000
Cooperative Response Center	5324	231,483	211,483	-	20,000
Smith Pipe Ph 1, 2, 3 & 4	5330	763,091	418,700	-	344,391
TTUHSC School of Nursing	5331	537,517	537,517	-	-
Vine St. Fehr Foods Improvements	5335.10	136,049	9,400	26,724	99,925
Fehr Foods '12	5340	510,000	340,000	-	170,000
Rentech '12	5342	173,800	173,800	-	-
Pactiv Compressor Construction	5344.2	335,306	335,306	-	-
Owens Machine & Tool	5345	351,000	35,363	-	315,637
Biotech Marketing and PR Plan	5346	118,400	117,076	125	1,199
Hangar Doghouses A/E	5348.1	423,000	235,156	6,127	181,717
Hangar Doghouses Construction	5348.2	2,732,618	247,560	251,041	2,234,017
Enterprise Dr. Extension A/E	5352.1	889,462	889,462	-	-
Enterprise Dr. Extension Construction	5352.2	276,792	276,792	-	-
EASI De-Fuel Truck	5354	64,260	35,000	3,500	25,760
Fehr Foods ' 13	5356	240,000	74,272	-	165,728
Tucker Energy Services	5359	413,295	-	-	413,295
Five Points Infrastructure	5359.1	1,000,000	137,491	-	862,509
Five Points Survey	5360	42,485	42,483	-	2
Five Pts / Pdaris Dr A/E	5362.1	60,200	59,565	-	635
Polaris Drive Construction	5362.2	1,064,100	593,725	408,485	61,890
5 Pts RR Expansion	5363.1	16,000	-	-	16,000
Spec 3 Finish Out A/E	5364.1	759,601	410,100	74,690	274,811
Spec 3 Finish Out Construction	5364.2	11,041,249	835,058	912,220	9,293,971
842 Pine Boiler Replacement A/E	5365.1	76,286	70,712	2,567	3,007
842 Pine Boiler Replacement Equipment	5635.2	312,300	186,846	100,138	25,316
842 Pine Boiler Construction	5635.3	868,820	691,301	53,507	124,012
CarbonLITE Industries	5366	6,196,000	-	-	6,196,000
Fehr Foods Expansion	5368	2,623,000	-	-	2,623,000
Broadwind Towers 2014	5373	1,438,525	-	-	1,438,525
Fast Track Welding '14	5375	248,462	154,702	-	93,760
Corley Wetsel Trucking	5376	455,200	-	-	455,200
Clavel Corp	5377	77,717	12,745	-	64,972
Fehr Foods 14	5378	200,000	-	-	200,000
Gift Card System	5379	82,100	-	-	82,100
TTUHSC FY 15 ExperImmune	5380	1,029,012	888,050	46,500	94,462
Fulwiler Land Purchase	5381	496,807	4,800	488,256	3,751
BWJ Consulting	5382	539,000	-	-	539,000
Dyess Telecomm Upgrade	5383	23,000	6,935	-	16,065
Subtotal Economic Program Obligation Reserve		\$ 43,081,781	\$ 13,627,793	\$ 2,373,880	\$ 27,080,108

**Development Corporation of Abilene
Economic Program Status
As of December 30, 2014**

Economic Programs:	Project	Amount Obligated	Prior Years Disbursement	Current Year Disbursement	Balance reserved for obligated programs
Plus Administrative Division Obligations:					
Business Services Division	Division 2760	665,640	-	129,922	535,718
Life Sciences Property Maintenance	Division 2765	597,780	-	116,607	481,173
DCOA Property Maintenance	Division 2775	324,430	-	69,100	255,330
Abilene Industrial Foundation	Division 2775	604,775	-	69,274	535,501
TTU Small Business Dev Center	Division 2775	250,000	-	28,350	221,650
Chamber Military Affairs	Division 2775	397,000	-	48,753	348,247
Airport Business Development Manager	Division 2775	198,450	-	13,162	185,288
Subtotal Administrative Divisions Obligation Reserve		\$ 3,038,075	\$ -	\$ 475,168	\$ 2,562,907
Total reserve for obligated programs					\$ 29,643,015

DCOA Board approved projects waiting for signed contracts:

		Expiration Date
Smith Pipe Ph. 5	\$ 452,000	8/12/14
Project KW	280,750	12/10/14
Dyess JLUS	50,000	6/17/15
	<u>\$ 782,750</u>	

DEVELOPMENT CORPORATION OF ABILENE, INC.
BOARD AGENDA
MEETING DATE: January 27, 2015

PROJECT: Vine St. Warehouses Improvements for Use by Abimar Foods, Inc. (formerly Fehr Foods) – Additional Funds

STAFF: Kent Sharp, CEO

BACKGROUND

The DCOA-owned property at 4009/4109 Vine consists of 4 large and 1 smaller connecting warehouses A, B, C, D and E plus adjoining offices. Abimar Foods (formerly Fehr Foods) is leasing Warehouse A (70,000 sq ft), the adjoining Warehouses B (42,362 sq ft) and C with 2 dock doors (24,743 sq ft), paying monthly rent calculated at \$1.67/sq ft/year, triple-net. The remaining 38,516 square feet in Warehouses D and E with 6 dock doors is vacant.

With its pending expansion into cracker production, Abimar Foods requested to lease the remaining warehouse space and dock doors. Some improvements to all the warehouses were necessary. Ventilation in Warehouses A, B and C is needed for the comfort and safety of Abimar's employees. Rubber debris from forklift wheels creates a fine dust in the air and the space has no other means for keeping cool during the hot months. Wall repairs are necessary to meet FDA food storage regulations.

On September 23, 2014, the DCOA approved resolution DCOA-2014.45 authorizing \$135,343 and contracts with vendors to perform improvements to the warehouses plus ratification of a contract with Jacob & Martin for design work:

1. Warehouse A men's restroom remodel – contract awarded to Abilene Constructors and Tile, \$15,648.02.
2. Warehouses C, D & E demolition of demising wall between C and E, 3 entry openings from C to D, demising wall in dock area, 200' of safety barriers in C, and cooler room in C – contract awarded to Mackie Construction, \$3,450.
3. Warehouse D seal all holes and repair stucco and concrete walls – contract awarded to Mackie Construction, \$1,470.
4. Warehouses A, B & C install ventilation to provide air flow – contract awarded to Mulltex Mechanical, \$97,875.
5. Jacob & Martin for design of the warehouse ventilation, \$9,400.
6. Contingency - \$7,500.

Abimar agreed to pay about ½ of the cost for the requested improvements and ½ of the cost from 2013 to install ventilation in Warehouse D, or about \$75,000 total. The company will pay their ½ in monthly rent payments over the next 5 years. The current lease for Warehouses A, B and C expires 9-30-16 with an option to extend another 5 years at a higher lease rate based on the CPI increases over the previous 5 years. We negotiated a new 5-year lease for all the warehouse and dock space totaling 175,621 sq ft. The rental rate for the existing lease area (A, B & C) will remain at \$1.67/sq ft/yr and the new space (D & E) will increase by 3.5% to \$1.73/sq ft/yr to account for the CPI increase over the last 2 years. An additional \$0.085/sq ft/yr will be added to all of the space as repayment of Abimar's ½ of the total improvements cost (est. \$75,000).

THE REQUEST

During construction, several change orders were necessary to complete the work. In addition, Jacob & Martin performed project supervision services because of staff shortages in the Economic Development Department.

Below is a summary of the original contracts and change orders approved:

Contractor	Original Contract Amt	Change Order(s) Description	Change Order(s) Amt	Total Contract Including COs
Abilene Constructors & Tile	\$15,648	CO #1- to replace lighting in men's & women's restrooms & clean grilles in both, make all lights operate from light switches, \$1,805.55 CO #2 - plumbing repairs/upgrades, \$3,070.05, and paint toilet stalls, move wall for ADA compliance & install new toilet seats, \$520	\$5,396	\$21,044
Mackie Construction	\$4,920	CO #1 - install guard rails to protect electrical panels in Warehouses E & D plus duct cover in Warehouse E, \$560 CO #2 - seal off 4 gaps in Warehouse D, \$200	\$760	\$5,680.00
Multtex Mechanical	\$97,875	CO #1 - repair 2 restroom exhaust fans in Warehouse A & install occupancy sensors, \$2,050	\$2,050	\$99,925.00
Jacob & Martin	\$9,400	Professional fee for project supervision services	\$9,165	\$18,565
TOTAL	\$127,843		\$17,371	\$145,214

With total expenses of \$145,214 and funding approved of \$135,343, a funding shortfall of \$9,871 exists. Staff requests the board approve funding of \$9,871 to cover the change orders for additional work as described plus a small contingency of \$2,000 to cover any additional unknown expenses that may arise prior to Abimar's occupancy.

FISCAL IMPACT

Funding shortfall for change orders for Vine St. Warehouse improvements	\$ 9,871
Small contingency for any remaining unknowns	\$ 2,000
Total	\$11,871

STAFF RECOMMENDATION

Staff recommends the DCOA approve resolution DCOA-2015.04 authorizing additional funding of \$11,871 for change orders to contracts for improvements to warehouses at 4009/4109 Vine St. owned by DCOA and leased or to be leased to Abimar Foods, Inc.

ATTACHMENTS

Resolution DCOA-2015.04

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RESOLUTION NO. DCOA-2015.04

A RESOLUTION OF THE DEVELOPMENT CORPORATION OF ABILENE, INC. (DCOA), ABILENE, TEXAS AUTHORIZING ADDITIONAL FUNDS FOR IMPROVEMENTS TO WAREHOUSES A, B, C, D AND E AT THE DCOA-OWNED 4009/4109 VINE ST. TO PREPARE THE SPACE FOR OCCUPANCY BY ABIMAR FOODS, INC. (FORMERLY FEHR FOODS) (“ABIMAR”).

WHEREAS, the DCOA-owned property at 4009/4109 Vine consists of 4 large and 1 smaller connecting warehouses A, B, C, D and E plus adjoining offices; and,

WHEREAS, Abimar is leasing Warehouse A (70,000 sq ft), the adjoining Warehouses B (42,362 sq ft) and C with 2 dock doors (24,743 sq ft), paying monthly rent calculated at \$1.67/sq ft/year, triple-net; and,

WHEREAS, with its pending expansion into cracker production, Abimar Foods requested to lease the remaining warehouse space and dock doors totaling 38,516 square feet and that some improvements be made to all the warehouses; and,

WHEREAS, on September 23, 2014, the DCOA approved resolution DCOA-2014.45 authorizing \$135,343 and contracts with vendors to perform improvements to the warehouses plus ratification of a contract with Jacob & Martin for design work; and,

WHEREAS, staff proposed Fehr pay about ½ of the cost for the requested improvements and ½ of the cost from last year to install ventilation in Warehouse D, or about \$75,000 total, to which Fehr agreed to pay in monthly rent payments over the next 5 years; and,

WHEREAS, Abimar agreed to pay about ½ of the cost for the requested improvements and ½ of the cost from 2013 to install ventilation in Warehouse D, or about \$75,000 total, in a new 5-year lease; and,

WHEREAS, during construction, several change orders were necessary to complete the work, and Jacob & Martin performed project supervision services because of staff shortages in the Economic Development Department; and,

WHEREAS, staff requests the board approve funding of \$11,871 to cover the change orders for additional work.

NOW THEREFORE, BE IT RESOLVED BY THE DEVELOPMENT CORPORATION OF ABILENE, INC., ABILENE, TEXAS, THAT:

PART 1. DCOA hereby authorizes additional funding of Eleven Thousand Eight Hundred Seventy-One and no/100’s Dollars (\$11,871.00) for change orders to contracts for improvements to DCOA-owned property at 4009/4109 Vine St. to accommodate Abimar Foods (\$9,871). Also included is a small contingency of \$2,000 for any unknowns that may arise before Abimar occupies.

The additional funding when added to the originally approved funding amount of \$135,343, brings the total funding for this project to \$147,214 as described below:

Contractor	Original Contract Amt	Change Order(s) Description	Change Order(s) Amt	Total Contract Including COs
Abilene Constructors & Tile	\$15,648	CO #1- to replace lighting in men's & women's restrooms & clean grilles in both, make all lights operate from light switches, \$1,805.55 CO #2 - plumbing repairs/upgrades, \$3,070.05, and paint toilet stalls, move wall for ADA compliance & install new toilet seats, \$520	\$5,396	\$21,044
Mackie Construction	\$4,920	CO #1 - install guard rails to protect electrical panels in Warehouses E & D plus duct cover in Warehouse E, \$560 CO #2 - seal off 4 gaps in Warehouse D, \$200	\$760	\$5,680.00
Mulltex Mechanical	\$97,875	CO #1 - repair 2 restroom exhaust fans in Warehouse A & install occupancy sensors, \$2,050	\$2,050	\$99,925.00
Jacob & Martin	\$9,400	Professional fee for project supervision services	\$9,165	\$18,565
TOTAL	\$127,843		\$17,371	\$145,214

A contingency of \$2,000 is available for any unknown expenses that may arise.

PART 2. Funding under this resolution is contingent upon execution of all necessary agreements. The funding commitment authorized under this resolution shall expire without notice 180 days from the date of adoption of same unless all required documents and agreements are executed prior to that expiration date or the commitment herein is extended in writing by the DCOA.

PART 3. The Chief Executive Officer of the Development Corporation of Abilene, Inc. is hereby authorized to negotiate, enter into and execute a final contract and all other related documents on behalf of the DCOA.

ADOPTED this the 26th day of January, 2015.

ATTEST:

 Dani Ramsay
 Secretary/Treasurer

 Dave Copeland
 President

APPROVED:

 T. Daniel Santee, City Attorney

5.4

DEVELOPMENT CORPORATION OF ABILENE, INC.
BOARD AGENDA

MEETING DATE: January 26, 2015

PROJECT: Petrosmith (formerly Smith Pipe) – Phase 5 Assistance Re-authorized

STAFF: Kent Sharp, CEO

THE COMPANY

Smith Pipe announced in July of 2014 its name change to Petrosmith to better reflect its ability to offer a variety of services to a larger geographic region. Petrosmith is an oilfield manufacturing and supply company providing tanks, pressure vessels, tubular inventory and coating. The company was founded in 1983 and currently owns many acres of land south of Abilene in the City's 5-mile extraterritorial jurisdiction (ETJ). The company operates drillings rigs, well service units, a Roust-A-Bout crew, and plug & abandonment units in addition to manufacturing new storage tanks and pressure vessels and sales of used oilfield equipment. The company also operates a truck fleet for rig moving and equipment sales. They reported 413 employees as of 12-31-13.

The company revised its corporate structure and adding higher level positions to make operations more efficient. Cliff Smith stepped down as President but will remain active in the drilling side of the company. David Hill was hired in April 2012 as President with ties to the Hill Family Partnership, which has a large interest in the company.

PHASES 1 & 2 - In May 2011, the DCOA Board approved Resolution DCOA-2011.16 authorizing assistance for Smith Pipe (Project BC) in a total amount not to exceed \$1,155,368 for Phase 1 construction and Phase 2 expansion of a new 40,500 sq ft facility adjacent to the existing facility for its new pipe coating operation that will support and enhance their current operation. The company pledged to add another 44 jobs total and invest \$5,267,000 in capital.

PHASE 3 - On October 11, 2011, the DCOA approved Resolution DCOA-2012.01 authorizing Phase 3 assistance totaling \$521,790 for the purchase of more land and construction of a 15,000 sq ft main shop and a 5,000 sq ft paint and sand blasting shop for the company's new tank fabrication operation. At the time, the total estimated project cost for construction and equipment purchases was \$2,087,900. Plans are to create 31 new jobs in Phase 3, in addition to the 44 jobs to be created in Phases 1 and 2 combined.

REVISION TO PHASES 1, 2, & 3 - On February 27, 2012, the board authorized Resolution DCOA-2012.14, which revised previously approved assistance packages for Phases 1, 2 and 3 by eliminating the job creation incentive for each phase and increasing the capital investment incentive for Phase 3 by \$12,000. Also approved is advancing the capital investment incentives for Phase 2 and 3 under separate notes at 0% interest secured by a letter of credit. The advances will occur after completion of the phase and receipt by the DCOA of appropriate documentation, and the principal balances will be forgiven over the following 3 years in equal annual amounts.

The final impact is the reduction of the assistance approved for all three phases by \$941,668 by eliminating the job creation incentives, then increasing the Phase 3 capital investment incentive by

\$12,000. The result is total capital investment incentives for all three phases of \$747,490, down from \$1,677,158 including job creation incentives.

On July 24, 2012, the board approved Resolution DCOA-2012.25 authorizing Phase 4 capital investment assistance of \$400,000 paid at 10% of cost for an expansion of the tank manufacturing operation, including purchase of 35 more acres of land, construction of a 45,000 sq ft building, additional equipment purchases, and 50 new jobs.

On November 13, 2013, the board approved resolution DCOA-2014.06 authorizing Phase 5 assistance for expansion of the vessel shop with new equipment, a new small tanks blasting, coating & painting shop and construction of a new shipping & receiving warehouse. The expansion was estimated at \$4,520,000 and 67 new jobs as follows:

1. Vessel Shop Addition – a 30,000 sq ft addition to the existing 24,200 sq ft facility at a cost of about \$2MM, adding 3 more bays and 42 new jobs.
2. Vessel Shop Equipment – specialized equipment for rolling cans in the vessel shop including two rollers and a plasma table at a cost of about \$720,000 and 8 new jobs,
3. Blasting, Coating & Painting Small Tanks – a new 18,000 sq ft facility at a cost of about \$1,700,000 and 8 new jobs,
4. Warehouse – a new 5,000 sq ft warehouse at a cost of about \$100,000, and 2 new jobs.

The board authorized \$452,000 at 10% of the company's expected investment. The assistance would be advanced under a separate note upon completion of construction and DCOA's receipt of documentation evidencing actual costs. The note is to be secured by a letter of credit and forgiven over three years in equal annual amounts of \$150,667.

Status of Projects:

Phase 1 was funded in July 2011 at \$226,500 under a note secured by a letter of credit and earned over 3 years. The entire balance was earned as of May 2014.

Phase 2 approval of \$300,200 was not funded and can be eliminated from the agreement for assistance.

Phase 3 was funded in February 2013 at \$220,790 under a note secured by a letter of credit and earned over 3 years. The unearned balance as of February 1, 2015 is \$73,596.

Phase 4 was funded in February 2013 at \$355,810.50 under a note secured by a letter of credit and earned over 3 years. The unearned balance as of February 1, 2015 is \$118,603.50.

THE PROJECT

The company has now completed its Phase 5 expansion at a cost of \$5.7 million:

1. Vessel Shop expansion construction - \$2,798,032
2. Vessel Shop equipment - \$1,470,295
3. Blasting, Coating & Painting Small Tanks construction - \$1,373,764
4. Shipping & Receiving warehouse construction - \$95,661

The company has not signed an addendum for the Phase 5 assistance, so therefore the funds have not been advanced. The delay is regrettable on staff's part for not preparing the documentation as quickly as needed. The assistance has since expired.

THE REQUEST

I am requesting the Phase 5 capital investment assistance be re-authorized so funds totaling \$452,000 can be advanced to the company under a note secured by a letter of credit. The amount of assistance will not change even though the company's cost increased from the estimated \$4.52 million to \$5.7 million. The terms shall remain unchanged with forgiveness granted over the next 3 years.

Though there are no job creation incentives approved or being requested, the company will be required to submit annual reports of employment. Because the project is located in the City's ETJ, approval by the Taylor County Commissioner's Court will be required prior to finalization of the deal.

Also requested is to rescind the Phase 2 assistance of \$300,200 for expansion of the pipe coating operation, which was never funded because the project didn't happen. A rescission will allow staff to un-encumber the funds, freeing them up for other projects.

FISCAL IMPACT

Phase 5 capital investment incentive re-authorized \$452,000

STAFF RECOMMENDATION

Staff recommends approval of resolution DCOA-2015.05 re-authorizing a capital investment incentive of \$452,000 for Petrosmith's Phase 5 expansion of the vessel manufacturing operation, addition of a small tanks blasting, coating & painting facility and a new shipping & receiving warehouse. The capital investment incentive will be advanced under a separate forgivable note and secured by a letter of credit. Also authorized is a rescission of the Phase 2 capital investment assistance of \$300,200 originally approved in May 2011.

ATTACHMENTS

Resolution DCOA-2015.05

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RESOLUTION NO. DCOA-2015.05

A RESOLUTION OF THE DEVELOPMENT CORPORATION OF ABILENE, INC. (DCOA), ABILENE, TEXAS RE-AUTHORIZING FINANCIAL ASSISTANCE FOR PETROSMITH'S ("PETROSMITH") (FORMERLY SMITH PIPE) PHASE 5 EXPANSION OF ITS VESSEL SHOP, SMALL TANK BLASTING, COATING & PAINTING SHOP AND WAREHOUSE SPACE. IN ADDITION, THE PHASE 2 ASSISTANCE ORIGINALLY APPROVED IN 2011 IS HEREBY RESCINDED.

WHEREAS, the purpose of the DCOA is to expand employment opportunities for the citizens of Abilene; and,

WHEREAS, Smith Pipe announced in July of 2014 its name change to Petrosmith to better reflect its ability to offer a variety of services to a larger geographic region; and,

WHEREAS, Smith Pipe is a local company founded in 1983 located on Hwy 277 South, in the City's 5-mile extraterritorial jurisdiction (ETJ); and,

WHEREAS, the company operates drillings rigs, well service units, a Roust-A-Bout crew, and plug & abandonment units in addition to manufacturing new storage tanks and pressure vessels and sales of used oilfield equipment. The company also operates a truck fleet for rig moving and equipment sales; and,

WHEREAS, in May 2011 the DCOA approved Resolution DCOA-2011.16 authorizing assistance for the company (also known as Project BC) in an amount not to exceed \$594,441 for Phase 1 and \$560,927 for Phase 2 expansion in exchange for capital investment by the Company of \$5,267,000 and new job creation of 44. The company constructed a new facility adjacent to the existing facility for its new pipe coating operation that will support and enhance their current operation; and,

WHEREAS, on October 11, 2011, the DCOA approved Resolution DCOA-2012.01 authorizing Phase 3 assistance totaling \$521,790 for the purchase of more land and construction of a 15,000 sq ft main shop and a 5,000 sq ft paint and sand blasting shop for the company's new tank fabrication operation in exchange for 31 more jobs and a capital investment of \$2,087,900; and,

WHEREAS, on February 27, 2012, the DCOA approved Resolution DCOA-2012.14 which revised previously approved assistance packages for Phases 1, 2 and 3 by eliminating the job creation incentive for each phase and increasing the capital investment incentive for Phase 3 by \$12,000. Also approved was advancing the capital investment incentives for Phase 2 and 3 under separate notes at 0% interest secured by a letter of credit; and,

WHEREAS, on July 24, 2012, the DCOA approved Resolution DCOA-2012.25 authorizing Phase 4 capital investment assistance of \$400,000 for an expansion of the tank manufacturing operation, including purchase of 35 more acres of land, construction of a 45,000 sq ft building, additional equipment purchases; and,

WHEREAS, Smith Pipe has now embarked on a Phase 5 expansion of the vessel shop including new equipment, a new small tanks blasting, coating & painting shop and construction of a new warehouse, which is estimated to cost \$4,520,000 with 67 new jobs; and,

WHEREAS, on November 13, 2013, the board approved resolution DCOA-2014.06 authorizing Phase 5 assistance of \$425,000 for expansion of the vessel shop with new equipment, a new small tanks blasting, coating & painting shop and construction of a new shipping & receiving warehouse, which was expected to result in 67 new jobs; and,

WHEREAS, the Phase 2 project never occurred, so the assistance of \$300,200 is not needed by the company;

WHEREAS, the Phase 5 project documentation was never prepared or signed by Petrosmith and the assistance has expired; and,

WHEREAS, staff requests the DCOA re-authorize the Phase 5 capital investment assistance of \$452,000 with identical terms are originally approved. Also requested is rescission of the Phase 2 assistance of \$300,200.

NOW THEREFORE, BE IT RESOLVED BY THE DEVELOPMENT CORPORATION OF ABILENE, INC., ABILENE, TEXAS, THAT:

PART 1. DCOA hereby re-authorizes capital investment assistance in an amount of Four Hundred Fifty-Two Thousand and no/100's Dollars (\$452,000) for Petrosmith's Phase 5 expansion of its vessel shop, small tanks blasting, coating & painting shop and construction of a new shipping & receiving warehouse. The assistance was originally approved under Resolution DCOA-2014.06, however, the assistance has expired. The Phase 5 project is complete and funding shall be advanced under a note at 0% interest, secured by a letter of credit, and forgiven over the next 3 years in equal annual amounts of up to \$150,667. Though there are no job creation incentives approved, the company is required to submit annual reports of employment.

Also authorized is a rescission of the Phase 2 capital investment assistance of \$300,200 originally approved on May 10, 2011, via resolution DCOA-2011.16 and modified via resolution DCOA-2012.14 approved on February 27, 2012. The Phase 2 project has not nor will it occur, according to Petrosmith.

PART 2. Funding under this resolution is contingent upon execution of all necessary agreements. The funding commitment authorized under this resolution shall expire without notice 180 days from the date of adoption of same unless all required documents and agreements are executed prior to that expiration date or the commitment herein is extended in writing by the DCOA.

PART 3. The Chief Executive Officer of the Development Corporation of Abilene, Inc. is hereby authorized to negotiate, enter into and execute a final contract and all other related documents on behalf of the DCOA.

ADOPTED this the 26th day of January, 2015.

ATTEST:

Dani Ramsay
Secretary/Treasurer

Dave Copeland
President

APPROVED:

T. Daniel Santee, City Attorney

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