

## PUBLIC NOTICE

### DEVELOPMENT CORPORATION OF ABILENE, INC.

A regular meeting of the Development Corporation of Abilene, Inc. (DCOA) will be held on Monday, July 27, 2015, Abilene Laboratories, 1325 Pine St., Abilene, Texas, commencing at 1:30 p.m. to consider the following agenda:

SIGNED:

  
\_\_\_\_\_  
Kent Sharp, CEO of the DCOA

### AGENDA

July 27, 2015  
1:30 p.m.

Abilene Laboratories  
1325 Pine St., Abilene, TX

1. Call the meeting to order.
2. Approval of minutes from the July 14, 2015, board meeting.
3. Status of Funds report for June 2015.
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.
5. Discussion and possible approval of a resolution authorizing assistance for Coca Cola Refreshments.
6. Discussion and possible approval of a resolution authorizing assistance for Project Pike.
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.

**DEVELOPMENT CORPORATION OF ABILENE, INC.**  
**BOARD MEETING MINUTES**  
**July 14, 2015**

**MEMBERS PRESENT:** Dave Copeland      Marelyn Shedd      John Beckham  
Jack Rich

**MEMBER ABSENT:** Dani Ramsay

**STAFF PRESENT:** Kent Sharp      Kim Tarrant      Mindy Patterson

**GUESTS PRESENT:** Brian Bethel - Abilene Reporter News  
Chet Caldwell - McMahon Law Firm, PC

1. **CALL THE MEETING TO ORDER:** President Dave Copeland called the meeting to order at 1:30 p.m. at Abilene Laboratories, 1325 Pine St., Abilene Texas.

2. **APPROVAL OF MINUTES FROM THE JUNE 23, 2015 BOARD MEETING:** Jack Rich moved to approve the minutes from the June 23, 2015, board meeting. Marelyn Shedd seconded and the motion carried.

3. **SALES TAX REPORT FOR JULY 2015 AND STATUS OF FUNDS REPORT FOR MAY 2015:** Mindy Patterson, Director of Finance, presented the sales tax report for July 2015. The sales tax rebate for July was \$3,115,248.77, which represents May sales. Economic Development received \$778,812.19. This is 1.95% below last year and 3.72% below the projected FY 15 budget amount. For the period October through July, sales tax is 5.30% above last year and 3.25% above the projected FY 15 budget amount.

4. **EXECUTIVE SESSION – SESSION 1:** 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 July 14, 2015, and the time is 1:35 p.m. Later, President Copeland announced the date is still July 14, 2015, and the time is 4:00 p.m. No vote or action was taken in Executive Session.

5. **DISCUSSION AND POSSIBLE APPROVAL OF A RESOLUTION AUTHORIZING A SETTLEMENT AGREEMENT WITH RECEPTOR LOGIC, INC.:** John Beckham moved to table action on a settlement agreement with Receptor Logic, Inc. Jack Rich seconded and the measure passed unanimously.

6. **ADJOURNMENT:** There being no further business the meeting was adjourned.

---

Dave Copeland, President

**DEVELOPMENT CORPORATION OF ABILENE**  
**STATEMENT OF NET POSITION**  
**June 30, 2015 and 2014**

	June 2015	June 2014
<b>Current Assets:</b>		
Cash and cash investments	\$ 18,261,600	\$ 19,530,313
Accounts receivable	173,059	35,293
Due from other governments	1,847,609	1,702,786
Total Current Assets	20,282,268	21,268,392
<b>Noncurrent Assets:</b>		
Notes receivable	15,537,450	17,926,186
Capital assets	47,929,002	44,144,817
Accumulated depreciation	(8,633,256)	(7,776,020)
Total capital assets, net	39,295,746	36,368,797
Total Noncurrent Assets	54,833,196	54,294,983
<b>Total Assets</b>	\$ 75,115,464	\$ 75,563,375
<b>Liabilities</b>		
Current:		
Accounts payable	\$ 384,902	\$ 51,679
Total Current Liabilities	384,902	51,679
Total Liabilities	384,902	51,679
<b>Net Position</b>		
Net Investment in capital assets	39,295,746	36,368,797
Restricted for contractual obligations	10,319,726	34,822,519
Unrestricted, designated for purposes of trust	25,115,090	4,320,380
Total Net Position	74,730,562	75,511,696
<b>Total Liabilities and Net Position</b>	\$ 75,115,464	\$ 75,563,375

**DEVELOPMENT CORPORATION OF ABILENE**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For nine months ending June 30, 2015 and 2014

	June 2015	Fiscal YTD 2015	Fiscal YTD 2014
<b>Revenues:</b>			
Sales and use taxes	\$ 822,955	\$ 7,964,280	\$ 7,508,544
Interest income	3,566	103,730	99,303
Building rental / land lease	91,607	800,936	860,455
Sale of land	-	163,635	231,163
Miscellaneous revenue	14,082	555,992	142,071
Total Revenues	<u>932,210</u>	<u>9,588,573</u>	<u>8,841,536</u>
<b>Expenses:</b>			
Economic development projects	531,902	7,606,462	4,350,491
Life Sciences property maintenance	31,345	463,012	421,610
DCOA property maintenance	15,702	182,837	278,653
Abilene Industrial Foundation	32,019	283,924	487,112
TTU Small Business Development Center	10,837	108,337	135,000
Chamber Military Affairs	24,764	210,968	18,313
Airport Business Development Manager	15,119	73,270	101,459
General administrative services	55,881	407,172	488,872
Total Expenditures	<u>717,569</u>	<u>9,335,982</u>	<u>6,281,510</u>
<b>Changes In Net Position</b>	214,641	252,591	2,560,026
<b>Net Position at Beginning of Period</b>	<u>74,515,921</u>	<u>74,477,971</u>	<u>72,951,670</u>
<b>Net Position at End of Period</b>	<u>\$ 74,730,562</u>	<u>\$ 74,730,562</u>	<u>\$ 75,511,696</u>

<b>Summary of Current Period Economic Development Projects:</b>	
Hangar Doghouse A/E	\$ 4,590
Hangar Doghouse Construction	437,341
EASI De-Fuel Truck	1,750
842 Pine Boiler Construction	7,168
Clavel Corp - Job creation and capital investment funding	18,405
TTUHSC FY 15 ExperImmune	120
BWJ Consulting - Job creation and capital investment funding	42,184
Pine St Bldgs Hail Damage	344
DCOA Strategic Planning	20,000
Total	<u>\$ 531,902</u>

**Development Corporation of Abilene  
Economic Program Status  
As of June 30, 2015**

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	1,608,998	1,524,992	84,006	-
Pactiv (formerly PWP)	5251	2,933,899	2,507,899	-	426,000
Run Energy	5295	65,431	-	65,431	-
TTU 842 Pine	5308	532,998	532,998	-	-
Enavail, LLC	5316	386,240	386,240	-	-
Energy Maintenance Serv (Broadwind Serv)	5319	902,500	762,500	140,000	-
Pepsi Beverage Co.	5321	350,000	140,000	-	210,000
Cooperative Response Center	5324	217,260	211,483	5,777	-
Petrosmith Ph 1, 3 & 4	5330	640,360	418,700	221,660	-
Petrosmith Ph 5	5330.1	-	-	-	-
TTUHSC School of Nursing	5331	537,517	537,517	-	-
Vine St. Fehr Foods Improvements	5335.10	147,214	9,400	135,814	2,000
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	151,000	35,363	29,318	86,319
Biotech Marketing and PR Plan	5346	118,400	117,076	125	1,199
Hangar Doghouses A/E	5348.1	423,000	235,156	59,986	127,858
Hangar Doghouses Construction	5348.2	2,732,618	247,560	2,189,484	295,574
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	14,000	15,260
Fehr Foods ' 13	5356	240,000	74,272	74,272	91,456
Tucker Energy Services	5359	504,327	-	91,030	413,297
Five Points Infrastructure	5359.1	1,000,000	137,491	-	862,509
Five Points Survey	5360	42,484	42,484	-	-
Five Pts / Pdaris Dr A/E	5362.1	59,565	59,565	-	-
Polaris Drive Construction	5362.2	1,064,100	593,725	408,485	61,890
5 Pts RR Expansion	5363.1	30,800	-	11,000	19,800
Spec 3 Finish Out A/E	5364.1	658,389	410,100	198,289	50,000
Spec 3 Finish Out Construction	5364.2	1,980,812	835,058	1,037,352	108,402
842 Pine Boiler Replacement A/E	5365.1	76,285	70,712	5,573	-
842 Pine Boiler Replacement Equipment	5635.2	312,300	186,846	103,469	21,985
842 Pine Boiler Construction	5635.3	868,820	691,301	145,033	32,486
CarbonLITE Industries	5366	-	-	-	-
Fehr Foods Expansion	5368	4,123,000	-	1,501,959	2,621,041
Broadwind Towers 2014	5373	1,537,748	-	99,222	1,438,526
Fast Track Welding '14	5375	154,702	154,702	-	-
Corley Wetsel Trucking	5376	455,200	-	-	455,200
Clavel Corp	5377	77,717	12,745	18,405	46,567
Fehr Foods 14	5378	200,000	-	53,426	146,574
Gift Card System	5379	82,100	-	22,340	59,760
TTUHSC FY 15 ExperImmune	5380	1,029,012	888,050	60,613	80,349
Fulwiler Land Purchase	5381	496,807	4,800	488,256	3,751
BWJ Consulting	5382	619,000	-	117,293	501,707
Dyess Telecomm Upgrade	5383	23,000	6,935	-	16,065
Pine St. Buildings - Hail Damage	5384.1	10,000	-	9,844	156
Pine St. Buildings - Construction	5384.2	449,690	-	-	449,690
Datroo Technologies	5385	280,750	-	-	280,750
DCOA Strategic Planning	5386	130,000	-	45,000	85,000
<b>Subtotal Economic Program Obligation Reserve</b>		<b>\$ 30,739,328</b>	<b>\$ 14,121,695</b>	<b>\$ 7,606,462</b>	<b>\$ 9,011,171</b>

**Development Corporation of Abilene  
Economic Program Status  
As of June 30, 2015**

Economic Programs:	Project	Amount Obligated	Prior Years Disbursement	Current Year Disbursement	Balance reserved for obligated programs
<b>Plus Administrative Division Obligations:</b>					
Business Services Division	Division 2760	665,640	-	407,172	258,468
Life Sciences Property Maintenance	Division 2765	597,780	-	463,012	134,768
DCOA Property Maintenance	Division 2775	324,430	-	182,837	141,593
Abilene Industrial Foundation	Division 2775	604,775	-	283,924	320,851
TTU Small Business Dev Center	Division 2775	250,000	-	108,337	141,663
Chamber Military Affairs	Division 2775	397,000	-	210,968	186,032
Airport Business Development Manager	Division 2775	198,450	-	73,270	125,180
<b>Subtotal Administrative Divisions Obligation Reserve</b>		<b>\$ 3,038,075</b>	<b>\$ -</b>	<b>\$ 1,729,520</b>	<b>\$ 1,308,555</b>
<b>Total reserve for obligated programs</b>					<b>\$ 10,319,726</b>

**DCOA Board approved projects waiting for signed contracts:**

		Expiration Date
TTUHSC School of Public Health	\$ 1,951,431	8/24/15
Dyess JLUS	50,000	12/17/15
Industrial Workforce Training Program	40,000	12/23/15
	<u>\$ 2,041,431</u>	

# DEVELOPMENT CORPORATION OF ABILENE, INC.

## Board Agenda

Meeting Date: July 27, 2015

**PROJECT: Coca Cola Refreshments USA, Inc. Additional Funding**

**STAFF: Kent Sharp, CEO**

---

### **BACKGROUND**

The bottling system for Coca Cola is made up of locally-rooted enterprises committed to quality. Coca Cola Refreshments USA, Inc. (Coke) is an established employer for Abilene that has been in operation on Highway 351 for many years and currently employs 3 full crews, 6 days/week ( about 300 people) in manufacturing and distribution/transportation. The company has operated a facility in Abilene since 1920 at various locations, but has resided in its current location for more than 50 years. The company's goal is to expand its manufacturing operations in the region. As it considers the consolidation of its production, packaging, warehouse and distribution operations, Abilene has been identified as a prime facility for its long reputation as being both cost-efficient and able to handle a wide range of specialty/seasonal packaging, not to mention its central location in Texas.

Below is a summary of project funds granted the company in the past by DCOA:

### **Sewer Main Project**

In 2006, the board authorized funding of \$300,000 to install a new sewer main along the new road from the plant to I-20 and connect the Coke plant to the new main. This main only serves Coke, and by authorizing funding, the board set the stage for future investment in Abilene. All of the funding was advanced and fully earned by the company.

### **Syrup Lab Room Project**

In February 2009, the board approved resolution DCOA-2009.09 authorizing \$500,000 to expand the Abilene plant, including a 900 sq ft lab room and improvements to the syrup room. The improvements will bring the plant up to corporate standards at an estimated cost of \$5 million and position it as an innovative research and development center. The DCOA funding helped ensure an internal return on investment of 15% for the company; the ROI needed for the project to compete with other plants for the project. The project was placed on hold while Coca Cola Enterprises was being purchased by Coca Cola Refreshments USA, Inc. (CCR).

The project expanded to a cost of \$9.3 million, so in January 2012, the board approved resolution DCOA-2012.08 authorizing new funding of \$430,000, which increased the DCOA's commitment for this project from \$500,000 to \$930,000. The funds were to be disbursed over a 3-year period in an amount up to \$310,000/year at the rate of 10% of CCR's actual capital investment. A total of \$819,628 was fund for this project.

### **Shrink Wrap Project**

In April 2009, the board approved resolution DCOA-2009.14 authorizing another \$400,000 to help fund a Supply Chain innovation initiative designed to improve packaging and marketing flexibility. The continuous motion packaging equipment used in Abilene converts corrugated blanks into trays, which are then overwrapped with film and travel through a heat tunnel where the film shrinks to form a very robust and attractive package.



The Shrink Wrap project cost \$3.94 million and is completed. No additional employment is associated with this project. The funding of 10% up to \$400,000 for capital investment in the Shrink Wrap project was to be paid over 3 years at \$140,000 for year 1, \$130,000 for year 2, and \$130,000 for year 3. A total of \$394,246 was funded for this project.

**Monster Energy Drink Project**

In January 2012 the board also approved \$690,000 for an upgrade of an existing processing line for a new Monster Energy Drink line at a cost of \$6.9 million. The funds were to be disbursed over a 3-year period in an amount up to \$230,000/year at the rate of 10% of CCR's actual capital investment. This project was not awarded to Abilene or any other Coke plant as of July 2014 so the funding was cancelled.

**PROJECT DESCRIPTION & INCENTIVES SUMMARY**

See attached.

**FISCAL IMPACT**

Blow Mold and Energy Drink Projects	
TOTAL	\$3,200,000
New capital investment by CCR	\$31,900,000

**STAFF RECOMMENDATION**

Staff recommends approval of resolution DCOA-2015.16 authorizing total assistance of up to \$3,200,000 for Coca Cola Refreshments USA, Inc. paid at 10% of company's actual capital costs, funded upon receipt of paid invoices under a note at 0% interest, secured by a letter of credit or corporate guaranty and forgiven over 5 years.

**ATTACHMENTS**

Project Description and Incentives Summary  
Resolution DCOA-2015.16

5.2

## Project Description

In March 2015, the Abilene Industrial Foundation made a regularly scheduled retention visit to the Abilene plant to get an update on the company's status. During the course of that visit, the AIF learned of the company's interest in identifying and selecting a few of its U.S. manufacturing plants that would be eligible for expansion. Abilene was one of four plants selected by the company for consideration in 2015.

The expansion at the Abilene facility would entail the installation of \$27.5 million of in-blow molding equipment. PET bottles needed for manufacturing operations are currently manufactured in Big Spring, Texas and shipped into the Abilene plant. Adding the internal capacity for blow molding to the manufacturing process at the facility would allow for more efficient operations and better production planning. This expansion would also help the Abilene facility retain its current employment levels and **establish the facility as an integral component within the company**, greatly reducing the likelihood of its closure.

The company is also considering plans to add a 16oz energy drink product line. The addition of this capability will allow the Abilene facility to absorb an additional 4.4 million cases of volume annually that is currently being manufacturing in Portales, New Mexico. This expansion would represent a \$4.4 million investment and increase the plant's overall capacity by an additional 20% to its existing 18 million cases produced annually. This expansion will also add capacity to grow the company's "can line" for future business in the coming years.

## Annual Economic Impact

It is estimated that the company generates \$180.6 million in direct economic output each year. Spin-off businesses in the community will produce \$60.3 million in economic output per year as a result of the local operations. In total, the company will support \$240.9 million in economic output per year on average. Economic output is the value of goods and services produced in the economy and can be thought of as revenues for businesses. The economic output calculations in this report were estimated using the RIMS II economic impact model and the firm's employment estimates.

Annual Impact of the Company on the Local Economy	
Direct and indirect jobs	634
Annual direct and indirect salaries	\$23,649,272
Local taxable sales	\$11,429,470
Local lodging sales	\$2,000
<b>Direct Economic Output</b>	<b>\$180,611,051</b>
<b>Indirect Economic Output</b>	<b>\$60,269,908</b>
<b>Total Economic Output</b>	<b>\$240,880,958</b>
<b>Property on local tax rolls:</b>	
The company's property	\$5,161,000
Residential property owned or occupied by direct & indirect workers	\$51,182,013
<b>Total property on local tax rolls supported by the company</b>	<b>\$56,343,013</b>

These economic impacts translate into the following sales, hotel occupancy and property taxes for local taxing districts:

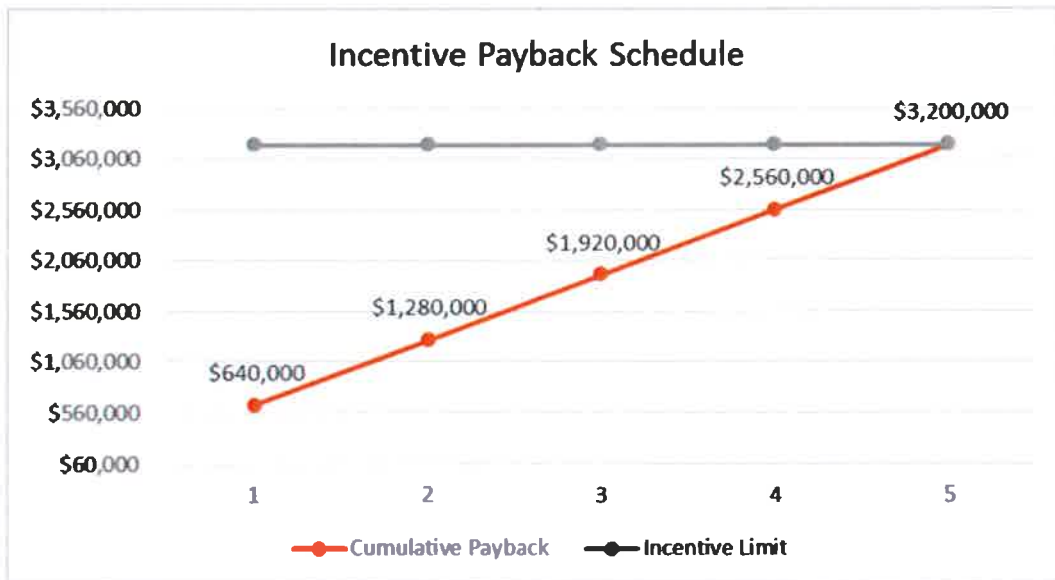
Total Annual Tax Revenues for Local Taxing Districts Generated by the Company				
	Sales Taxes	Hotel Occupancy Taxes	Property Taxes	Total Annual Revenues
City of Abilene	\$228,589	\$140	\$386,513	\$615,242
Taylor County			\$292,984	\$292,984
Abilene ISD			\$685,976	\$685,976
<b>Total</b>	<b>\$228,589</b>	<b>\$140</b>	<b>\$1,365,473</b>	<b>\$1,594,202</b>

### Incentive Summary

Discussions with company representatives indicated that the DCOA’s continued support for the facility would play a key role in determining whether or not the expansion of the facility would take place. At a minimum, the group expressed a strong interest in support in the amount of 10% of the total capital investment.

The DevelopAbilene team recommends an incentive of 10% based on an estimated capital investment of \$31.9 million for a total not to exceed of \$3.2 million in total incentive value. The incentive would be paid in full upon receipt of paid invoices. The money would be granted as a forgivable loan and backed by either a letter of credit or corporate guarantee that is reduced on an annual basis in the amount of \$640,000 for a term of 5 years. Furthermore, the company agrees to maintain a specified number of employees throughout the term of this agreement.

The following graph depicts the payback period for this incentive.



## *Timing*

As the project is extremely time sensitive, an expedient response is requested in order to make the determination as to whether or not Abilene will be considered for the project.

**RESOLUTION NO. DCOA-2015.16**

A RESOLUTION OF THE DEVELOPMENT CORPORATION OF ABILENE, INC. (DCOA), ABILENE, TEXAS AUTHORIZING FUNDING FOR COCA COLA REFRESHMENTS USA, INC. ABILENE PRODUCTION FACILITY (“CCR”) FOR THE BLOW-MOLDING AND ENERGY DRINK PROJECTS.

WHEREAS, Coca Cola Enterprises, Inc. is an established employer for Abilene that has been in operation on Highway 351 for many years and currently employs about 300 people in manufacturing and distribution/transportation. In 2011, the company name changed to Coca Cola Refreshments USA, Inc.; and,

WHEREAS, in 2006, the board authorized funding of \$300,000 to install a new sewer main along the new road from the plant to I-20 and connect the CCR plant to the new main; and,

WHEREAS, in February 2009, the board approved resolution DCOA-2009.09 authorizing \$500,000 to expand the Abilene plant, including a 900 sq ft lab room and improvements to the syrup room (Syrup Lab Room Project). The project expanded to a cost of \$9.3 million, so in January 2012, the board approved resolution DCOA-2012.08 authorizing new funding of \$430,000, which increased the DCOA’s commitment for this project from \$500,000 to \$930,000; and,

WHEREAS, in April 2009, the board approved resolution DCOA-2009.14 authorizing another \$400,000 to help fund the Shrink Wrap Project, a Supply Chain innovation initiative designed to improve packaging and marketing flexibility; and,

WHEREAS, in January 2012, the board approved \$690,000 for an upgrade of an existing processing line for a new Monster Energy Drink line at a cost of \$6.9 million; however, the project was not granted to the Abilene plant or any other Coke plant; and,

WHEREAS, Abilene was one of four plants selected in 2015 by the company for consideration of another expansion that would entail the installation of \$27.5 million of in-blow molding equipment that will allow for more efficient operations and better production planning with the plant producing its own PET bottles; and,

WHEREAS, the company is also considering a \$4.4 million investment to add a 16 oz energy drink product line, which will allow Abilene the ability to absorb an additional 4.4 million cases of volume annually that is currently being manufacturing in Portales, New Mexico; and,

WHEREAS, staff requests the DCOA authorize funding of \$3,200,000 to CCR for the Blow Mold and Energy Drink Line Projects.

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

**PART 1.** DCOA hereby authorizes funding of Three Million Two Hundred Thousand and no/100’s Dollars (\$3,200,000.00) for Coca Cola Refreshments USA, Inc. Abilene production facility in exchange for CCR’s new capital investment of \$31.9 million. The funds will be advanced under a note receivable at 10% of CCR’s actual capital costs for the Blow Mold

and Energy Drink Line Projects upon the DCOA's receipt of paid invoices. The note will be at 0% interest, secured by a letter of credit or corporate guarantee with the balance forgiven over 5 years in the amount of \$640,000/year. Furthermore, the company agrees to maintain a specified number of employees throughout the term of this agreement.

**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 27th day of July, 2015.

ATTEST:

\_\_\_\_\_  
Dani Ramsay  
Secretary/Treasurer

\_\_\_\_\_  
Dave Copeland  
President

APPROVED:

\_\_\_\_\_  
Stanley Smith, Assistant City Attorney

S:\DCOA\Resolution\2015\2015.16 Coca Cola expansion 07-27-15.doc

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

**PROJECT: Project Pike Assistance**

**STAFF: Kent Sharp, CEO**

---

**SUMMARY & INCENTIVE REQUEST**

See attached.

**FISCAL IMPACT**

\$160,000

**STAFF RECOMMENDATION**

Staff recommends approval of resolution DCOA-2015.15 authorizing a capital investment incentive to Project Pike of up to \$160,000 to be funded under a note at 0% interest, secured by a letter of credit, forgiven over 2 years.

**ATTACHMENTS**

Project description and incentive summary  
Resolution DCOA-2015.15

S:\DCOA\Meeting Memos\FY2015\Project Pike 07-27-15.doc

# *Project Pike*

Project Pike is a family owned, international, privately held company that manufactures power transmission products, bulk material handling products, industrial hand tools, and heavy duty conveyor pulleys that is headquartered in Arlington, Texas. The company has operated a facility in Abilene, Texas since 1974 and has seen steady growth over this period of time.

The goal of Project Pike is to expand its manufacturing operation in Abilene as part of a larger effort to accommodate the company's ongoing growth. As the company is considering the long-term goals, Abilene represents an advantage to the company in a number of ways including geographic location, land availability and local support.

## *Project Description*

In November 2014, the Abilene Industrial Foundation made a regularly scheduled retention visit to the Abilene plant to get an update on the company's status. During the course of that visit, the AIF learned of the company's interest in expanding their existing facility. The existing facility measures approximately 75,000 square feet where somewhat half of that space is occupied by inventory. As maintaining a large inventory count is part of the company's successful business model, the expansion is designed specifically with the intent to provide dedicated space for inventory.

During the process of drawing plans for the proposed expansion, the discovered that the property on which the facility resided was zoned as "Agriculture Open Space" and would not be approved for any industrial development by the city planning and zoning department. The zoning assignment largely due as a result of the fact that the facility was not originally located in the city limits.

Therefore, before the expansion could proceed, the company requested the DevelopAbilene team assist in the rezoning request to allow the expansion to proceed. Staff contacted the Director of Planning and Development Services, to request its consideration. Since the issue represented an impediment to the company, its expeditious review was requested as the company was considering absorbing the additional operations into their Arlington operation.

The loss of the expansion and allowing the operation into Arlington would have put the Abilene facility at a threat of closure. As a result, the zoning was updated to accurately reflect the industrial nature of the business and enable the expansion. Given this change, the company then engaged the Development Corporation of Abilene to provide financial assistance for the expansion.

The expansion a will involve an additional 27,000 square feet structure, bringing the total facility footprint to 102,000 square feet at an estimated cost of \$1,600,000. Currently the operation has approximately 90 employees and could add an additional 15 as a result of the expansion to add a new product line.

6.2



## Estimated Economic Impact

Annual Impact of the Company on the Local Economy	
Direct and indirect jobs	164
Annual direct and indirect salaries	\$5,984,721
Local taxable sales	\$2,557,003
Local lodging sales	\$2,000
<b>Direct Economic Output</b>	<b>\$22,702,738</b>
<b>Indirect Economic Output</b>	<b>\$11,428,558</b>
<b>Total Economic Output</b>	<b>\$34,131,296</b>
<b>Property on local tax rolls:</b>	
The company's property	\$796,495
Residential property owned or occupied by direct & indirect workers	\$13,201,777
<b>Total property on local tax rolls supported by the company</b>	<b>\$13,998,272</b>

These economic impacts translate into the following sales, hotel occupancy and property taxes for local taxing districts:

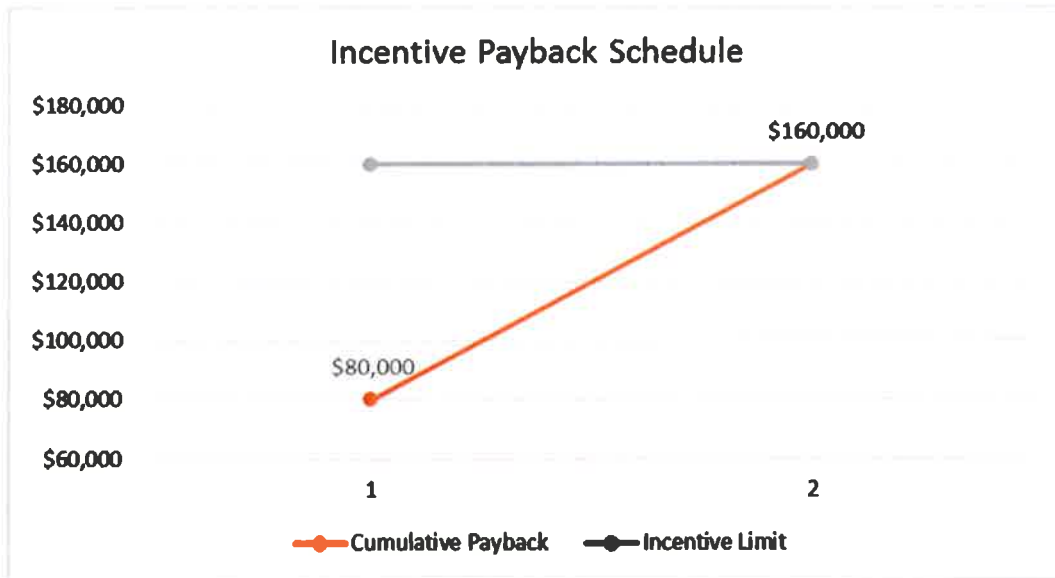
Total Annual Tax Revenues for Local Taxing Districts Generated by the Company				
	Sales Taxes	Hotel Occupancy Taxes	Property Taxes	Total Annual Revenues
City of Abilene	\$51,140	\$140	\$96,028	<b>\$147,308</b>
Taylor County			\$72,791	<b>\$72,791</b>
Abilene ISD			\$170,429	<b>\$170,429</b>
<b>Total</b>	<b>\$51,140</b>	<b>\$140</b>	<b>\$339,248</b>	<b>\$390,528</b>

## Incentive Summary

Discussions with company representatives indicated that the City's continued support for the facility would play a key role in determining whether or not the expansion of the facility would take place. At a minimum, the group expressed a strong interest in the DCOA's support in the amount of 10% of the total capital investment.

The DevelopAbilene team recommends an incentive not to exceed 10% of the estimated capital investment of \$1.6 million for a total of \$160,000 in total incentive value. The incentive would be paid in full at Year 1 upon receipt of validated expenditures for the expansion. The money would be granted as a forgivable loan and backed by a letter of credit with terms to be provided in the Agreement for Financial Assistance, or corporate guarantee that is reduced on an annual basis in the amount of \$80,000 for a term of 2 years. Company also agrees to maintain its current level of employment for this 2 year time frame, which is estimated at 90.

The following graph depicts the payback period for this incentive.



### Timing

As the project is extremely time sensitive, an expedient response is requested in order to make a formal commitment to support the project at the Abilene facility.

**RESOLUTION NO. DCOA-2015.15**

A RESOLUTION OF THE DEVELOPMENT CORPORATION OF ABILENE, INC. ("DCOA"), ABILENE, TEXAS AUTHORIZING FINANCIAL ASSISTANCE FOR PROJECT PIKE.

WHEREAS, Project Pike is a family-owned, international, privately-held company that manufactures power transmission products, bulk material handling products, industrial hand tools, and heavy duty conveyor pulleys and is headquartered in Arlington, Texas; and,

WHEREAS, the company has operated in Abilene since 1974 and has seen steady growth since then with about 90 employees currently; and,

WHEREAS, to accommodate its long-term goals, the company will expand its Abilene operation (adding a new product line) due the advantages Abilene has to offer, including geographic location, land availability and local support; and,

WHEREAS, the expansion will involve an additional 27,000 square foot structure, bringing the total facility footprint to 102,000 square feet at an estimated cost of \$1,600,000 and will include about 15 more jobs; and,

WHEREAS, staff requests the DCOA authorize a capital investment incentive to assist the company with its growth in Abilene.

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

- PART 1.** DCOA authorizes a capital incentive payment of up to One Hundred Sixty Thousand and no/100's Dollars (\$160,000) for Project Pike in exchange for an expansion of its Abilene facility, which is estimated to cost \$1,600,000. The funds will be at advanced at 10% of actual cost upon receipt of paid invoices under a note receivable at 0% interest secured by a letter of credit. The balance will be forgiven over 2 years at 50% each year. The company will retain its existing employment over the 2-year period, which is estimated at 90 people.
- PART 2.** This resolution is contingent upon execution of all necessary agreements. The 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 any contract and all other related documents on behalf of the DCOA.

ADOPTED this the 27th day of July, 2015.

ATTEST:

---

Dani Ramsay  
Secretary/Treasurer

---

Dave Copeland  
President

APPROVED:

---

Stanley Smith, Assistant City Attorney

S:\DCOA\Resolution\2015\2015.15 Project Pike 07-27-15.doc