

**City Council
Agenda Memo**



**City Council
Meeting Date: 05-14-15**

TO: David Vela, Interim City Manager
FROM: Kent Sharp, CEO for DCOA
SUBJECT: DCOA Semi-Annual Report of Activities Through March 31, 2015

GENERAL INFORMATION

As required in the Development Corporation of Abilene, Inc. (DCOA) by-laws, a report of activities for the first one-half of the current fiscal year has been prepared. The report covers the 6-month period beginning 10-1-14 and ending 3-31-15.

SPECIAL CONSIDERATIONS

None.

FUNDING/FISCAL IMPACT

None.

STAFF RECOMMENDATION

Staff recommends City Council approve by oral resolution the attached report of activities for the 6-month period ended 3-31-15.

BOARD OR COMMISSION RECOMMENDATION

DCOA Board approved the report during the April 27, 2015, meeting.

ATTACHMENTS

DCOA Semi-Annual Report of Activities for the Period Ended March 31, 2015
DCOA Statement of Net Position and Schedule of Revenues, Expenses and Changes in Net Position for March 31, 2015

Prepared by: Kim Tarrant

Name: Kent Sharp

Title: CEO for DCOA

Item No. 7.10

Disposition by City Council

Approved Ord/Res# _____

Denied

Other

City Secretary

Development Corporation of Abilene, Inc.
Semi Annual Report FY 2015: *October 2014 through March 2015*

DCOA Board

Dave Copeland - President
Marelyn Shedd - Vice President
Dani Ramsay - Secretary/Treasurer
John Beckham – Member
Jack Rich – Member

Goals: The Board has identified six key goals in the City's economic development efforts.

1. To make Abilene competitive in the attraction of business and industry in order to create new, sustainable jobs.
2. To facilitate the creation of new jobs and retention of existing jobs by providing assistance to existing and emerging businesses.
3. To strengthen and expand the skills of the Abilene labor force in coordination with local employers
4. To strengthen and revitalize downtown Abilene.
5. To increase the number and size of minority-owned, woman-owned, small and entrepreneurial businesses in Abilene.
6. To effectively administer the sales tax revenue.

Organization

The Development Corporation of Abilene, Inc. (DCOA) is a Type A economic development corporation, and a Texas non-profit corporation specifically governed by the Texas Development Corporation Act, as defined in Chapters 501 and 504 of the Texas Local Government Code, as amended (formerly Art. 5190.6 of the Texas Revised Civil Statutes). The DCOA consists of a five-member board, which is appointed by the Mayor and City Council, with terms of three years each. The fiscal year for the DCOA begins October 1st and ends September 30th.

Purpose

The purpose of the DCOA is to use sales tax revenue to effectively stimulate Abilene's economic growth.

Mission Statement

To carry out the purpose by assessing the community's economic development needs, developing a plan to meet those needs, coordinating community economic development efforts, and supporting targeted activities that enhance the quality of life in the community and maximize the public's return on invested tax dollars.

Project Summary

The Texas Tech University Health Sciences Center School of Public Health

The Texas Tech Health Sciences Center (TTUHSC) recently announced a 40,000 sq. ft. expansion of the Abilene campus with the addition of a School of Public Health (SOPH). Currently existing are the Schools of Pharmacy, Nursing and Biomedical Sciences. The Master of Public Health program will bring 150 new students to Abilene and provide advanced training, opportunities for research, and the study of factors which impact a population's health. Graduate students will gain the knowledge and skills necessary to serve populations as small as a local neighborhood, or as large as an entire country. The DCOA board authorized in February of 2015 up to \$1,951,431 for infrastructure improvements, limited to streets and roads, water and sewer utilities, electric utilities, gas utilities, drainage, site and related improvements, and telecommunications and Internet improvements.

CarbonLITE Recycling Amended Assistance and Additional Construction Funding

The DCOA has been working with CarbonLITE Recycling, producer of food-grade post-consumer recycled polyethylene terephthalate (rPET), since 2013 to open a second plant in the 100,000 sq ft Spec 3 building in the Five Points Business Park. Construction of finish-out plus the addition of a 100,000 sq ft warehouse and 10,000 sq ft office space will be performed by Imperial Construction at a cost of \$16,074,337 (A/E fees of \$738,100 and \$15,336,237 for construction).

In February of 2015, the DCOA approved another \$1,100,000 to the previously-approved \$11,800,850 design and construction funding budget to bring the soil in the original spec building up to the standard it was originally believed to be to ensure a stable foundation. In addition, there are estimated A/E services and reimbursable costs of \$25,000, which brings the grand total for the construction project to \$16,099,337, with DCOA funding \$12,925,850 and the company funding the balance. Also authorized was a deadline of April 30, 2015, for the company to demonstrate its financial capacity to perform under the agreement plus amended lease terms to reflect the new construction budget and split costs between DCOA and CarbonLITE.

Petrosmith (formerly Smith Pipe)

In February 2015, the board re-authorized Petrosmith's Phase 5 capital investment assistance which expired before an agreement was executed. The capital investment assistance for Phase 5 is \$452,000 at 10% of the company's expected investment. The funds will be advanced under a 3-year earnable note receivable at 0% interest secured by a letter of credit.

The board also approved rescinding assistance for the company's Phase 2 facility expansion originally approved in 2011. The Phase 2 expansion of the pipe coating

operation has not yet materialized and the approved assistance of \$300,200 was never funded.

BBP Bird, LP (Tige Boats) Debt Restructure

In February 2015, the board authorized the restructure of the outstanding debt owed by BBP Bird, LP for the Tige Boats manufacturing facility on Hwy 36. Restructuring the debt was proposed in order to ensure better amortization of the note balance. In November 2003, the DCOA approved a \$4 million, 25-year, 0% interest construction loan for the new Tige Boats manufacturing facility located on Hwy 36 across from the airport. The monthly payments were based on the greater of \$100 for each boat produced from the previous month or \$3,600 (36 boats produced). DCOA has a first lien on the land and plant on Hwy 36 plus a corporate guaranty from Tige Boats, Inc.

Under the proposed restructure, the current note balance of \$3,399,600 will be paid monthly at a flat rate of \$13,333.33 or \$160,000 per year beginning March 1, 2015 for 16 years. A balloon payment of \$839,600 will be due when the note matures.

Hangar 1 Doghouse, Change Orders, and Additional Funding

Hangar 1 at the Abilene Regional Airport is occupied by Eagle Aviation Services, Inc. (EASI) and is under construction to add a “doghouse” extension that will allow the hangar to accommodate the larger aircraft under order for American Eagle (now Envoy). The DCOA approved a contract in 2014 with Lansford Construction at a cost of \$2,473,722.

During the plan review process six items surfaced that need to be addressed through change orders at a total cost of \$228,896; 1) chemically injecting the soil for stabilization rather than installing a lime subgrade econo-crete base and 10.5” of unreinforced concrete paving at a savings of \$90,322, 2) adding ADA complaint restrooms and an entry ramp at a cost of \$68,096, 3) adding 2-hour fire rated hangar wall at a cost of \$64,805, 4) creating an equipment storage area between Hangars 1 and 2 plus concrete pavement between the two hangars at a cost of \$145,883, 5) installing a water line, a covered drain, and a sewer pipe into the existing oil/water separator to accommodate an open-air wash bay at a cost of \$27,934, and 6) upgrading the electrical service throughout the hangar to be able to terminate all power at a single location at an estimated cost of \$12,500. Total approved in November 2014 for these six change orders is \$90,569, which when combined with the existing construction contingency of \$168,327 covers the change orders and allows for a \$30,000 contingency.

Strategic Planning Ad Hoc Committee

In November 2014, President Dave Copeland appointed six individuals to an ad hoc committee to develop a strategic plan for economic development in Abilene.

Those appointed were Ray Ferguson as the Chair of the committee, Tucker Bridwell as Vice Chair, Yvonne Batts, Chair of the Abilene Industrial Foundation, City Councilman Anthony Williams, and DCOA members John Beckham and Scott Senter. Kent Sharp and Jason Smith are the primary support staff for the committee.

Dyess AFB Joint Land Use Study (JLUS)

A Joint Land Use Study (JLUS) will be conducted through a grant program offered by the U.S. Department of Defense Office of Economic Adjustment, which will benefit both the Abilene community and Dyess AFB during the process of community development. This study will be used as a cooperative land use planning effort between the City of Abilene and Dyess AFB to address any perceived development incompatibility near Dyess that could adversely affect the military base as well as the community. The DCOA approved in December 2014 up to \$50,000 to cover the required 10% grant match for a JLUS study. Actual funding will be net of the value of the City's in-kind contribution.

Sale of a .953 Acre Lot at 1842 Hwy 351

The DCOA owns .953 acre of vacant land at the intersection of Enterprise Dr. and Hwy 351. It represents the remaining portion of 1.86 acres the DCOA purchased from Region 14 Education Service Center to accommodate the extension of Enterprise Drive from Hwy 351 to East Lowden Rd., which was completed in 2014. In January 2015, the board approved the sale of the severed .953 acre tract to a buyer at the market rate of \$525,000.

Vine St. Warehouses Improvements

The DCOA owns warehouse space at 4009/4109 Vine St., which is occupied by Abimar Foods, Inc. (formerly Fehr Foods). In September 2014, the board approved \$135,343 and contracts with vendors to make improvements to the warehouses to accommodate Abimar Foods' expansion into cracker production. In January 2015, the board approved an additional \$11,871 to cover needed change orders plus fees to Jacob & Martin for providing project supervision. Abimar agreed to pay ½ of the cost for the requested improvements in their monthly rent for the next 5 years.

Administrative/Other

Board Members and Officer Elections

During the March 2015 meeting, President Dave Copeland introduced and welcomed Jack Rich as a new board member. Mr. Copeland then presented Scott Senter with a Certificate of Appreciation from the City of Abilene and an appreciation plaque from the DCOA for his 6 years of service to the DCOA.

Dave Copeland was re-elected board president and Marelyn Shedd and Dani Ramsay were re-elected Vice President and Secretary/Treasurer, respectively.

Texas Economic Development Sales Tax Legislation and Regulations Training

Attorney Jeff Moore of the Brown & Hofmeister law firm gave a presentation on the Texas Economic Development Sales Tax legislation and regulations during a joint meeting on March 25, 2015, of the DCOA and Abilene City Council. Mr. Moore also explained the differences between Type A and Type B corporations, the history of economic development, and how other cities utilize their sales tax income.

Staff

Kent Sharp - Chief Executive Officer
Kim Tarrant - Business Services Manager
Akane Thaxton – Economic Development Specialist

Contact

174 Cypress, Suite 301
Abilene, Texas 79601
Phone: 325-676-6390 | Fax: 325-676-6377
DevelopAbilene.com

DEVELOPMENT CORPORATION OF ABILENE
STATEMENT OF NET POSITION
March 31, 2015 and 2014

	March 2015	March 2014
Current Assets:		
Cash and cash investments	\$ 16,817,889	\$ 18,249,423
Accounts receivable	173,059	35,293
Due from other governments	1,847,609	1,702,786
Total Current Assets	18,838,557	19,987,502
Noncurrent Assets:		
Notes receivable	17,368,480	18,225,572
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	56,664,226	54,594,369
Total Assets	\$ 75,502,783	\$ 74,581,871
Liabilities		
Current:		
Accounts payable	\$ 384,902	\$ 51,679
Total Current Liabilities	384,902	51,679
Total Liabilities	384,902	51,679
Net Position		
Net Investment in capital assets	39,295,746	36,368,797
Restricted for contractual obligations	30,330,077	22,222,903
Unrestricted, designated for purposes of trust	5,492,058	15,938,492
Total Net Position	75,117,881	74,530,192
Total Liabilities and Net Position	\$ 75,502,783	\$ 74,581,871

DEVELOPMENT CORPORATION OF ABILENE
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For six months ending March 31, 2015 and 2014

	March 2015	Fiscal YTD 2015	Fiscal YTD 2014
Revenues:			
Sales and use taxes	\$ 759,360	\$ 5,388,032	\$ 5,027,928
Interest income	3,499	20,959	18,257
Building rental / land lease	97,252	548,642	511,705
Sale of land	-	163,635	201,013
Miscellaneous revenue	85,405	153,404	125,413
Total Revenues	<u>945,516</u>	<u>6,274,672</u>	<u>5,884,316</u>
Expenses:			
Economic development projects	350,338	4,548,273	3,077,194
Life Sciences property maintenance	46,163	273,190	231,048
DCOA property maintenance	24,208	139,077	178,022
Abilene Industrial Foundation	27,288	175,567	280,798
TTU Small Business Development Center	12,244	68,194	83,400
Chamber Military Affairs	37,234	136,682	18,313
Airport Business Development Manager	7,171	39,882	59,995
General administrative services	43,585	253,897	377,024
Total Expenditures	<u>548,231</u>	<u>5,634,762</u>	<u>4,305,794</u>
Changes In Net Position	397,285	639,910	1,578,522
Net Position at Beginning of Period	<u>74,720,596</u>	<u>74,477,971</u>	<u>72,951,670</u>
Net Position at End of Period	<u>\$ 75,117,881</u>	<u>\$ 75,117,881</u>	<u>\$ 74,530,192</u>

Summary of Current Period Economic Development Projects:

Fehr Foods '12 - Capital Investment	\$ 170,000
Hangar Doghouse AE	2,092
Hangar Doghouse Construction	524
EASI De-Fuel Truck	1,750
Fehr Foods '13 - Capital Investment	74,272
842 Pine Boiler Replacement	519
Fehr Foods Expansion - Job Creation	1,959
Broadwind Towers - Principal Reduction	99,222
Total	<u>\$ 350,338</u>

**Development Corporation of Abilene
Economic Program Status
As of March 31, 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
Energy Maintenance Serv (Broadwind Serv)	5282	268,598	268,598	-	-
Run Energy	5295	65,431	-	65,431	-
TTU 842 Pine	5308	532,998	532,998	-	-
Enavail, LLC	5316	386,240	386,240	-	-
Pepsi Beverage Co.	5321	350,000	140,000	-	210,000
Cooperative Response Center	5324	217,259	211,483	-	5,776
Petrosmith Ph 1, 3 & 4	5330	640,362	418,700	221,660	2
Petrosmith Ph 5	5330.1	452,000	-	-	452,000
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	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	42,080	145,764
Hangar Doghouses Construction	5348.2	2,732,618	247,560	1,165,145	1,319,913
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	8,750	20,510
Fehr Foods ' 13	5356	240,000	74,272	74,272	91,456
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 / Polaris 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	16,000	-	11,000	5,000
Spec 3 Finish Out A/E	5364.1	763,101	410,100	198,288	154,713
Spec 3 Finish Out Construction	5364.2	12,162,750	835,058	1,037,352	10,290,340
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	100,657	24,797
842 Pine Boiler Construction	5635.3	868,820	691,301	137,865	39,654
CarbonLITE Industries	5366	6,196,000	-	-	6,196,000
Fehr Foods Expansion	5368	4,123,000	-	1,959	4,121,041
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	-	64,972
Fehr Foods 14	5378	200,000	-	-	200,000
Gift Card System	5379	82,100	-	22,340	59,760
TTUHSC FY 15 ExperImmune	5380	1,029,012	888,050	60,493	80,469
Fulwiler Land Purchase	5381	496,807	4,800	488,256	3,751
BWJ Consulting	5382	619,000	-	-	619,000
Dyess Telecomm Upgrade	5383	23,000	6,935	-	16,065
Pine St. Buildings - Hail Damage	5384.1	10,000	-	9,500	500
Datoo Technologies	5385	280,750	-	-	280,750
Subtotal Economic Program Obligation Reserve		\$ 46,554,556	\$ 13,627,792	\$ 4,548,273	\$ 28,378,491

**Development Corporation of Abilene
Economic Program Status
As of March 31, 2015**

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	-	253,897	411,743
Life Sciences Property Maintenance	Division 2765	597,780	-	273,190	324,590
DCOA Property Maintenance	Division 2775	324,430	-	139,077	185,353
Abilene Industrial Foundation	Division 2775	604,775	-	175,567	429,208
TTU Small Business Dev Center	Division 2775	250,000	-	68,194	181,806
Chamber Military Affairs	Division 2775	397,000	-	136,682	260,318
Airport Business Development Manager	Division 2775	198,450	-	39,882	158,568
Subtotal Administrative Divisions Obligation Reserve		\$ 3,038,075	\$ -	\$ 1,086,489	\$ 1,951,586
Total reserve for obligated programs					\$ 30,330,077

<i>DCOA Board approved projects waiting for signed contracts:</i>		Expiration Date
Dyess JLUS	\$ 50,000	6/17/15
TTUHSC School of Public Health	1,951,431	8/24/15
	<u>\$ 2,001,431</u>	