

**DEVELOPMENT CORPORATION OF ABILENE, INC.**  
**BOARD MEETING MINUTES**  
**August 15, 2006**

<b>MEMBERS PRESENT:</b>	Ray Ferguson Dee Moore	Stan Lambert Joe Crawford
<b>MEMBER ABSENT:</b>	Syd Niblo	
<b>STAFF PRESENT:</b>	Richard Burdine John Dugan Dan Santee	Kim Tarrant David Wright
<b>GUESTS PRESENT:</b>	Joe Melson Bill Ehrie Celia Davis Mike Schweikhard Jerry Reed Rich Leidl Jim Casey	Davis Kinard Abilene Industrial Foundation Military Affairs Committee Atmos Energy Abilene Reporter-News Thelen, Reid & Priest Team Concepts

- 1. CALL TO ORDER.** Ray Ferguson called the meeting to order at 1:30 p.m. in the Develop Abilene conference room located at 174 Cypress, 3rd floor, Abilene, TX.
- 2. APPROVAL OF MINUTES FROM JULY 25, 2006 MEETING.** Dee Moore made a motion to approve the minutes from the July 25, 2006 meeting. Stan Lambert seconded and the motion carried.
- 3. PRELIMINARY FINANCIAL AND STATUS REPORTS FOR JUNE 2006.** David Wright presented the preliminary financial reports for June 2006. The sales tax rebate for August is \$765,943.25 which represents June sales and is 6.00% above the same month last year. Total assets as of June 30, 2006 were slightly over \$47 million, total liabilities were just over \$2.5 million, and the DCOA had an undesignated fund balance of \$15.9 million.
- 9. This item was moved up on the agenda and discussed after Item 3. PRESENTATION OF FY05 AUDIT BY A REPRESENTATIVE FROM DAVIS KINARD & CO., PC.** David Wright explained that what is in the board packets is an excerpt (for the DCOA's part) from the full audit of the City of Abilene and that a bound copy of the full audit was available to anyone at their request. Joe Melson from Davis Kinard pointed out that under current assets, cash and investments decreased about \$4.7 million from FY 2004, which was mainly due to a \$3 million note made to Fehr Foods. The DCOA had total assets of \$43.4 million, total liabilities of \$2.6 million, and net assets of \$40.7 million. Of that net asset amount, the largest part is *investment in capital assets* of \$17.3 million and \$8.8 million in funds *restricted for contractual obligations*.

Total revenues were nearly \$8.3 million and total expenses were \$5.2 million, resulting in a change in net assets (increase) of \$3 million. Mr. Melson further explained the difference between the statements on the full-accrual basis versus those on a budget (cash) basis, and the

minor adjustments made to reconcile the budget-based statements to those prepared on the full-accrual basis.

On the Schedule of Obligated Fund Balance-Budget Basis for FY 2005, the DCOA had *total obligated programs* of \$14 million. Of that, \$5.2 million was disbursed in FY 2005 leaving a total balance of \$8.8 million, which equals the \$8.8 million *restricted for contractual obligations* amount from the Statement of Net Assets.

4. **PRESENTATION OF ANNUAL REPORT BY THELEN, REID & PRIEST AND TEAM CONCEPTS.** Rich Leidl with Thelen, Reid & Priest and Jim Casey with Team Concepts presented their annual report to the board. The Air Force will continue use of the C-130H1's and 4 more will be stationed at Dyess as announced in 6/06. The B-1's have performed well in Afghanistan and Iraq and year by year upgrades will continue on the aircraft. Maintenance of the B-1's (about 100 people) is being considered for a move to Tinker AFB, and they are working to keep it here. There is \$120 million coming to Dyess for family housing plus another \$49 million for 199 new units. There is \$18 million slated for a consolidated base support center, and construction should begin in 2008. In addition, \$45 million is slated for an Armed Services Reserve Center, which will consolidate several army reserve units around Abilene into one. The Dyess access road will have \$11 million.

The Airborne Laser Program is getting stretched out and may not get funded; however, Dyess is in a good position to gain that mission if it goes forward. The DoD is currently in a budget crisis. Because of continued use, equipment and aircraft are in need of replacement at a greater cost. The Army will get most of the replacement funding. BRAC '05 didn't result in the number of closures needed to balance the budget, and the Air Force could lose 40-50,000 personnel and be forced to retire aircraft. Dyess has been very proactive and is in position to gain missions from other closures. The next 4-5 years will be difficult for some communities.

5. **PRESENTATION AND POSSIBLE APPROVAL OF REPORT FROM THE *PROJECT EVALUATION COMMITTEE* ON FY06 CONTRACT PERFORMANCE FOR TEXAS TECH SMALL BUSINESS DEVELOPMENT CENTER, ABILENE INDUSTRIAL FOUNDATION AND CHAMBER OF COMMERCE MILITARY AFFAIRS COMMITTEE, CITY OF ABILENE AIRPORT BUSINESS DEVELOPMENT, AND CITY OF ABILENE BUSINESS SERVICES AND PROPERTY MAINTENANCE DIVISIONS OF THE DEPARTMENT OF ECONOMIC DEVELOPMENT.** Ray Ferguson explained that the two standing committees of the DCOA are made up this year of the same individuals that serve in an advisory capacity to staff. The two committees met back to back in an effort to streamline the budget process. Mike Schweikhard was named Chairman and presented the report from the DCOA Project Evaluation Committee on FY06 contract performance for the above-names entities. The Committee recommends renewing all of these contracts for FY07. In the past the Abilene Industrial Foundation and Chamber of Commerce Military Affairs Committee were separate contracts; however the FY06 contracts were combined into one and the Project Evaluation Committee recommends combining them again for FY07.

The only exception found by the City's Auditor was the requirement for the Economic Development Department's Business Services Division to develop an economic development plan. Richard Burdine explained staff is currently looking into several planning efforts and will conduct a planning session with the board before the end of the year. The Project Evaluation Committee concurs with these findings.

Joe Crawford moved to approve the report from the DCOA Project Evaluation Committee. The motion was seconded by Dee Moore and passed by unanimous consent.

- 6. PRESENTATION AND POSSIBLE APPROVAL OF A REPORT FROM THE *BUDGET & FINANCE COMMITTEE* CONCERNING FUNDING PROPOSALS FOR FY 2007 FOR TEXAS TECH SMALL BUSINESS DEVELOPMENT CENTER, ABILENE CHAMBER OF COMMERCE-MILITARY AFFAIRS COMMITTEE, ABILENE INDUSTRIAL FOUNDATION, CITY OF ABILENE AIRPORT BUSINESS DEVELOPMENT, AND CITY OF ABILENE BUSINESS SERVICES AND PROPERTY MAINTENANCE DIVISIONS OF THE DEPARTMENT OF ECONOMIC DEVELOPMENT.** Mike Schweikhard was also named Chairman of this committee and presented the report from the DCOA Budget & Finance Committee. While there are five contracts (as noted above), there are six funding requests, because the Abilene Industrial Foundation and Military Affairs Committee have separate dollar amounts. The Committee recommends approval of all five requests.

A motion was made by Dee Moore to approve the report from the DCOA Budget & Finance Committee. Stan Lambert seconded the motion, which carried unanimously.

- 7. PUBLIC HEARING: FUNDING PROPOSALS AND PROPOSED BUDGET FOR FY 2007.** DCOA President, Ray Ferguson opened the public hearing. Richard Burdine, DCOA CEO, recommends the FY07 proposed budget be accepted as presented. There were no public speakers, so President Ferguson closed the public hearing.
- 8. DISCUSSION AND POSSIBLE APPROVAL OF FUNDING REQUESTS AND PROPOSED BUDGET FOR FY 2007.** Richard Burdine explained that the bulk of expenditures are not budgeted because amounts are not available until projects are approved. Stan Lambert moved to approve the proposed budget for FY 2007 as presented. Joe Crawford seconded the motion and it passed by unanimous consent.
- 10. DISCUSSION AND POSSIBLE APPROVAL OF A RESOLUTION AUTHORIZING ASSISTANCE FOR GENESIS NETWORKS.** Richard Burdine explained Genesis Networks is an existing company that recently announced the opening of an office in the Enterprise Building to conduct software testing and development for large telecommunications companies. The company expects to employ 143 in Abilene within 2 years, and all of the salaries will exceed \$30,000/year. Genesis would not have a presence in Abilene were it not for a personal relationship that exists with an ACU alumnus and ACU's diligence in pursuing the project. Genesis will provide employment opportunities to college graduates that would otherwise leave Abilene after graduation. Staff proposes an assistance package totaling \$1,929,000 structured as a job creation incentive payable over 3 years, job training grant and a relocation grant.

A motion was made by Dee Moore and seconded by Stan Lambert to approve resolution DCOA-2006.20 authorizing assistance for Genesis Networks, specifying a payout for the job creation incentive of 3 years rather than 5. The motion carried by unanimous consent.

**11.DISCUSSION AND POSSIBLE APPROVAL OF A RESOLUTION AUTHORIZING AMENDED ASSISTANCE FOR HIGHLAND CAMPUS HEALTH GROUP.** Richard Burdine explained that Highland has negotiated a contract with Catalis, a company with an electronic medical records (EMR) software program that will greatly benefit universities and will compliment the medical billing program offered by Highland. The cost to the universities to purchase equipment and make upgrades to its server in order to accommodate the new software will be prohibitive for some. The existing contract with Highland specifies disbursement in arrears of \$441,000 as a job creation incentive grant for 86 new jobs and currently, \$426,467 remains unfunded. Highland requests immediate access to \$100,000 to be used to purchase the needed equipment to support the new EMR program for upcoming contracts.

Staff proposes a 0% interest loan of \$100,000 for 3 years, secured by a 1<sup>st</sup> lien on the equipment purchased and earned through job creation. No additional job creation funds will be disbursed until the loan is fully earned. The total amount of the assistance package previously approved does not change. In addition, staff proposes the FTE earnings for new jobs being paid less than \$30,000/year (including benefits) be calculated by totaling the salary and benefits paid over 12 months and dividing that sum by \$25,000. The current minimum salary plus benefits amount for 1 year in order to earn assistance is \$23,720; however, may employees have opted not to participate in the company-sponsored benefits, which keeps their annual salary below the minimum.

A motion was made by Joe Crawford to approve resolution DCOA-2006.17 authorizing amended assistance for Highland Campus Health. Dee Moore seconded and the motion carried by unanimous consent.

**DEE MOORE LEFT THE MEETING AFTER VOTING ON ITEM #11.**

**12.DISCUSSION AND POSSIBLE APPROVAL OF A RESOLUTION AUTHORIZING AMENDED ASSISTANCE FOR FEHR FOODS, INC.** Richard Burdine explained that during a prior meeting on 7-25-06, the board approved the conversion of 3 existing loan participations with First Financial Bank (FFB) for Fehr Foods totaling \$1,043,852 to forgivable status and combined with the existing \$3 million forgivable loan. The 4<sup>th</sup> participation will be sold back to FFB at a discounted rate of \$90,000. Also, \$78,000 in training funds from a prior agreement was reauthorized. The changes were in response to Fehr having taken the 2004 expansion beyond original projections to a total qualified investment of \$12 million and total employment of 326.

As a result of its expansion, Fehr has a need for working capital and requests the DCOA provide a \$1 million loan, which will be paid when FFB completes its restructuring of Fehr's debt, about 6 months. Staff proposes a temporary line of credit to Fehr in the amount of \$1

million in addition to the assistance changes approved in 7/06. The loan will be administered by FFB at the interest rate of WSJ Prime to expire when the loan restructuring by FFB is complete, but no longer than 6 months. When Fehr receives an income tax refund of \$336,528 in 10/06, that amount will be applied to reduce the available line or used as additional security for the loan. Security will be a subordinated lien on inventory and A/R. No funds will be disbursed until an SBA 504 loan application is submitted on Fehr's behalf. The existing participations will not be converted to earnable/forgivable until the L/C is paid in full.

Stan Lambert moved to approved resolution DCOA-2006.14A, which replaces resolution DCOA-2006.14 approved in 7/06, authorizing amended and additional assistance for Fehr Foods. Ray Ferguson seconded and the motion carried. Joe Crawford abstained from voting.

**13.DISCUSSION AND POSSIBLE APPROVAL OF A RESOLUTION AUTHORIZING PARTIAL FUNDING FOR A CITY OF ABILENE CONTRACT WITH URS CONSULTING FOR SITE PLANNING WORK PERFORMED FOR THE ABILENE REGIONAL AIRPORT.** Richard Burdine explained the current Airport Master Plan for the Abilene Regional Airport was completed in 1999 and some significant changes have occurred since then, resulting in a need to update the plan. The City of Abilene will contract with URS Consulting to perform tasks associated with current and future development at the Airport. Staff proposes the DCOA pay for the portion of the update (Task Order 7) specifically associated with Eagle Aviation Services (EASI), which will consider the need for another hangar. The funding needed is \$13,752, plus \$1,375 contingency for total funding of \$15,127.

Joe Crawford moved to approved resolution DCOA-2006.18 authorizing \$15,127 funding to help pay a City of Abilene contract with URS Consulting for Airport development specifically associated with Eagle Aviation Services. Stan Lambert seconded and the motion passed with unanimous consent.

**14.DISCUSSION AND POSSIBLE APPROVAL OF A RESOLUTION AUTHORIZING FUNDING AND A CONTRACT WITH CARTER & BURGESS, INC. TO REVIEW AND EVALUATE THE EXISTING DEVELOPMENT PLAN FOR FIVE POINTS BUSINESS PARK IN LIGHT OF INDUSTRY TRENDS.** Richard Burdine explained the Five Points Business Park owned by the DCOA was platted 6 years ago via a master plan developed by Tippet & Gee. The industry trend is leaning toward larger lots and more flexibility. The master plan needs to be updated and staff recommends contracting with Carter & Burgess. Staff met with Carter & Burgess and a scope of services was developed, which includes site analysis, value engineering of existing facilities, update of spec building specifications, updated mater plan, PDD modifications, and cost estimates. The basic services fee amount is \$48,800 and staff requests the board approve 15% more for contingency purposes. Resolution DCOA-2006.19 was handed out to the board members along with a copy of the scope of services prepared by Carter & Burgess.

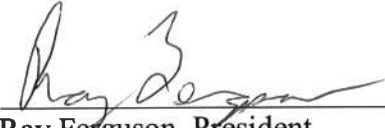
Stan Lambert moved to approve resolution DCOA-2006.19 authorizing a contract with Carter & Burgess and funding in the amount of \$48,800 plus 7,320 for contingency. Joe Crawford seconded and the motion carried by unanimous consent.

**15. EXECUTIVE SESSION:** Pursuant to Tex. Gov't Code Sec. 551.072, an executive session may be held to discuss the possible exchange, lease, or value of real property associated with a project to be funded by the DCOA since deliberation in open session would have a detrimental effect on the DCOA's negotiations with a third party. After discussion in executive session, any action or vote will be taken in public.

Pursuant to Tex. Gov't Code Sec. 551.071, an executive session may be held to consult with the DCOA attorney regarding pending or contemplated litigation or a settlement offer regarding DCOA funded projects or on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551 of the Government Code. After discussion of the contemplated legal matters in executive session, any action or vote will be taken in public.

At 3:15 p.m. the Board went into Executive Session. At 3:42 p.m. the Board reconvened and announced that no vote or action was taken in Executive Session.

**ADJOURNMENT.** Richard Burdine proposed to have the September DCOA Board Meeting on the 12<sup>th</sup> instead of the 19<sup>th</sup> since he will be out of town in training. After discussion, it was decided to have the meeting on September 12<sup>th</sup> at 4:00 pm. There being no further business, the meeting was adjourned.

  
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Ray Ferguson, President