MINUTES
LAWTON ECONOMIC DEVELOPMENT AUTHORITY
MAYOR'S CONFERENCE ROOM
NEW CITY HALL
AUGUST 13, 2019, AT 4:00 P.M.

Fred Fitch, Chair, called the meeting to order at 4:00 p.m. in the Mayor's Conference Room. Meeting notice and agenda were posted on the City Hall bulletin board as required by State Law.

ROLL CALL:
PRESENT: Fitch, Fred; Denham, David (entered late); Fortenbaugh, Sean; Jackson, Keith; Madigan, David; Means, David; Nance, Ron; Neal, Larry; Sheppard, Ernie (entered late)
ABSENT: None.
OTHERS PRESENT: Richard Rogalski, Executive Director; Tim Wilson, Legal; Kristin Huntley, Finance; Denise Ezell, City Clerk's Office; Nate Ellis, Public Finance Law; Michael Cleghorn, City Manager; Kim McConnell, Lawton, Constitution.

INTRODUCTION OF GUESTS

BUSINESS ITEMS

1. Consider approving the minutes of July 18, 2019.

Motion by Madigan, **Second** by Means, to approve the minutes of July 18, 2019. **Aye**: Fitch; Fortenbaugh; Jackson; Madigan; Means; Nance; Neal. **Nay**: None. **Motion Passed**.

2. Consider approving invoices, requisitions, and all other submitted materials for payment and take action as deemed necessary.

Huntley stated we have one for Center for Economic Development Law in the amount of $1,420.40 for the month of July.

Motion by Nance, **Second** by Neal, to approve all invoices, requisition, and all other submitted materials for payment. **Aye**: Fortenbaugh; Jackson; Madigan; Means; Nance; Neal; Denham; Fitch. **Nay**: None. **Motion Passed**.

3. Receive Financial Report and take action as deemed necessary.

Huntley stated at the end of July you had $970,706.72 in the bank. Hotel sales tax receivable for May was $9,677.18 and sales and use tax receivables was $35,351.29. Under Liabilities and Equities the accrued interest payable for the BancFirst note is $685,031.16 and the principal balance of our loan to CCIDA is just under $1.4 million. On the next page you see when you compare the revenue for the month of July 2019 to 2018 it is down 18.4%. The big reason for that is the sales and use tax. Expenses are up 9.9% and this is due to the interest. Total net income for July is negative $93,270.73. Are there any questions.

Fitch asked have we filed for the matching funds with the State.

Huntley stated no. She is working on that.

Motion by Means, **Second** by Denham, to accept the financial report. **Aye**: Jackson; Madigan; Means; Nance; Neal; Denham; Fitch; Fortenbaugh. **Nay**: None. **Motion Passed**.

4. Report on project activities, issues and programs including discussion and possible action on implementation and coordination.

Rogalski stated there has been progress on Bricktown Brewery. There were some issues with getting the lease signed but that has been signed and we are moving forward.

5. Consider approving a resolution approving the issuance of Lawton Economic Development Authority's Tax Apportionment Note for the financing of projects in the Lawton downtown increment districts in the amount of not to exceed $28,500,000 (the "2019 note"); waiving competitive bidding on the sale thereof; approving a series 2019 supplemental indenture, an amended mortgage, and an amended general agreement of support and reserve maintenance agreement, and ratifying and confirming a general security agreement, a sales tax agreement, a development financing assistance agreement and other documents relating thereto; and containing other provisions relating thereto.

Fitch stated this is Nate Ellis and he is our bond counsel. He is with Public Finance Law. I'll let him explains what you have before you today.

Ellis stated this borrowing approves the issuance of a note in the amount not to exceed $28,500,000, but we are not borrowing $28,500,000. You have outstanding a little over $26,000,000. In order to borrow an additional $2,050,000 it simplifies things to put it all into a single note. The banks have agreed to lower the rate that is going to be applicable. Right now you are paying prime plus 1.25%. The new note will move to just prime. Over the life of the note you will save about $2.5 million in interest.

Fitch stated last week it dropped 25 basic points.

Ellis stated the rate now is 6.25% so rather than resetting the 6.50% in September it will reset to 5.25. That is a point and quarter less. The proceeds of the original sales of properties was about $2.9 million. These funds were suppose to be set aside with $2.3 million going to the reserve fund and the other $600,000 for additional project cost. For whatever reason the proceeds were applied to the principal balance and we can't undo that payment. This is why we are having to do this as an additional issuance. As mentioned, that is $2.9 million you haven't paid interest on for the past 6 years. It is not like there was a downside to it but there is no money in the reserve and no money available to meet these additional incentives. The banks have agreed the borrowing amount will be on a drawn down basis and you will not start paying interest on the additional $2,000,000 right away. Another important aspect from the City's standpoint is under the current document the City has an obligation once the reserve is drawn upon to take sales tax dollars and pay those funds back to the reserve fund. This will release the

City from those obligations. They still have a pledge of sales tax as a backstop to the transaction but they won't have an affirmation obligation to sit aside money to fund the reserve. That is certainly a benefit to the City as well. All other terms are the same. The payout is 2032, dropping the rate, the $1.3 million will be set aside for the reserve on a draw down basis and the other $750,000 payable as you are ready to make those payments or as the contract dictates it is time to make those payments.

Fitch stated this is pretty simple. It has saved us a lot of money by not paying interest on the $2.9 million. We have taken the projected burden off the City with them not having to pay the reserve funds back. We are trying to protect the City and get them out of the obligation. This is a win win and the banks have been very good to work with us. I'm hoping that we will see another downturn in prime rate. We do have a bottom of 4.5% so if it goes to 3% we still have to pay 4.5%. That is common in many notes. Are there any questions? Seeing none I'll entertain a motion.

Motion by Means, **Second** by Fortenbaugh, to approve a resolution approving the issuance of Lawton Economic Development Authority's Tax Apportionment Note for the financing of projects in the Lawton downtown increment districts in the amount of not to exceed $28,500,000 (the "2019 note"); waiving competitive bidding on the sale thereof; approving a series 2019 supplemental indenture, an amended mortgage, and an amended general agreement of support and reserve maintenance agreement, and ratifying and confirming a general security agreement, a sales tax agreement, a development financing assistance agreement and other documents relating thereto; and containing other provisions relating thereto. **Aye**: Madigan; Means; Nance; Neal; Sheppard; Denham; Fitch; Fortenbaugh; Jackson. **Nay**: None. **Motion Passed**.

EXECUTIVE SESSION:

Fitch stated we will not be convening into executive session.

1. Pursuant to Section 307B3 and C10, Title 25, Oklahoma Statute, consider convening in executive session for the purposes of conferring on matters pertaining to economic development, including requests for development assistance, financing, and the sale and/or acquisition of property with respect to the Lawton Downtown Redevelopment Project and in particular the development of Lot 1, Block 1, Lawton Downtown Center, Part 2, and take appropriate action, if necessary, in open session.

ADDENDUM TO AGENDA

BUSINESS ITEMS:

1. Consider approving a conditional Economic Development Agreement between LEDA and Republic Paperboard Company, LLC, and authorizing the Chairman to execute the Agreement.

Rogalski stated we are talking about an Industrial TIF District in the industrial area. The idea would be to capture some of the worth/value that will come from Republic Paper remodel for new equipment.

Fitch stated this would be new equipment to take on another product line. It will involve about 20 people at $110 to $115,000 a piece.

Rogalski stated the City wants to capture some of the funding to do some infrastructure improvement. Republic Paper's request is in the redevelopment agreement. The obligations of Republic is to get the permits for their work, do a $90,000,000 expansion, hire 20 new employees with an annual average rate of $108,006 for an annual payroll of $2,100,006. This is a significant expansion and is something that will keep them in Lawton and in business. This is a necessary expansion. The TIF has to be managed by a Trust and the City felt LEDA was the Trust to use. This agreement is between LEDA and Republic Paper. Everything is conditional upon a TIF being created. There is no income without a TIF. LEDA would make payment 2 times the annual salary for the additional employees which is about $4.32 million. That is the assistance. This would occur in year 6 of the TIF. There will be no obligation to Republic the first 5 years. Years 6-25 it will be an annuity based on those salaries. They have to show they have hired 20 employees and are paying those salaries. If they are paying less the obligation will be less. None of these documents creates the TIF. This is a simple agreement between Republic Paper and LEDA having to do with both obligations.

Denham asked what is our source of funds.

Rogalski stated Personal Property Tax. The $90,000,000 will create more than the requirement. This would be about 25 to 30%.

Denham asked is it a subsequent amount above what they are paying now.

Rogalski stated yes.

Fitch stated those funds from the ad valorem will come to LEDA of which we will give Republic a certain amount. Will the schools be involved?

Nance stated Cache Public Schools will be. Batchelor has been involved and he is making certain everybody comes out good or better than what they would have been if the TIF was not happening.

Fitch stated Cache gets a certain amount and anything above that goes into the State pool. They are capped out. That gives money we can pay back to Republic and to LEDA. Our plan is to put it in the bank for industrial development. It could also be used for the backstop money for the downtown project. This would be lessening the burden on the City. This is a good deal.

Means asked geographically is the TIF District just going to be Republic Paper.

Fitch stated yes.

Rogalski stated it may incorporate some of the vacant land that is owned by LEDC.

Nance stated there is vacant land owned by LEDC, CCIDA and others. Originally, it was going to be the footprint of Republic Paper but we see some benefit of making it bigger.

Fitch stated the $90,000,000 is upgrades to technology and equipment. They will be putting in another line of equipment that will give them another line of production that is needed in selling their product.

Rogalski stated this expansion is extremely beneficial to the community. When you create that number of jobs you create new income for the City. It is a great expansion and it is very important we keep the industry we have. We would love to have new industry but keeping what we have is really important. What they are asking for is a very small amount paid over years 6 through 25. It is very reasonable. This is good for Republic and the community.

Fitch stated this plant is very competitive and to continue to be competitive within their area of industry they must upgrade.

Nance stated these are all high-tech jobs. Jobs that are not high-tech can not compete with the ones that are. This secures not only what they are doing right now but their long term viability in Lawton. It is not just the 20 jobs it is the 165 total jobs they have but they are high paying jobs.

Sheppard asked is the ad valorem tax that is received on the $90,000,000 sufficient to pay the reimbursement to Republic.

Nance stated yes. It will be much more than their incentive.

Sheppard asked so we aren't worried about the employees those are just a bonus.

Nance stated correct.

Fitch stated it could be 20 to 25% more.

Rogalski stated this is about 25% of the revenue that will be generated. The other 75% is available for other purposes. That will be decided in the project plan after the TIF is created.

Fitch asked will that be between LEDC and Republic.

Rogalski stated the TIF will be created by the City.

Denham asked what is the City of Lawton's claim to this.

Nance stated all TIF's have to be created by the municipality. This is where the City of Lawton comes in.

Rogalski stated this meets the criteria for a TIF District. We don't have the final details of the project plan. It could be a very simple plan for just Republic or it could be bigger.

Denham stated so what we are doing is authorizing the Chairman to work with the attorneys and Republic to get the ball rolling. It will then come back to the City and LEDA for final approval.

Fitch stated it will be like what we did on 2nd Street.

Denham stated the entities involved with this TIF will be a lot less than the ones on 2nd Street.

Nance stated at the last LEDC meeting the Board voted to do a Motion Of Support for the agreement.

Madigan stated this sounds like a great project but I think when it comes to this body we should have had more documentation, i.e. the pro forma and forecasting of the numbers to see the full picture along with a visual. It would be nice to have the whole package.

Fitch stated you will see those in the coming meetings.

Rogalski stated this approval allows Republic to feel like we have an agreement in moving forward.

Madigan asked can the State of Oklahoma repeal this at any time.

Fitch stated not once it is in place. There is a credit obligation there and they are locked in.

Wilson asked is the most LEDA is obligated for starting in year 6 is $4.3 million.

Rogalski stated that is the total over years 6 through 25.

Denham stated so it is not annual.

Rogalski stated no.

Nance stated in absence of their performance, having the jobs and putting in the equipment we are not obligated to anything.

Denham asked what if they come up with 19 or 15 jobs instead of 20.

Rogalski stated if they create lesser jobs they will receive a lesser amount.

Denham asked is it 2 times the payroll.

Rogalski stated yes.

Nance stated 2 times the payroll of 20 employees. They started with 10 and realized it was going to take 16. The City has a policy that requires at least 20 and by the time they were through they had added an additional 4 job.

Sheppard asked how are we going to monitor those jobs. What will keep them from hiring those 20 and releasing 20 others. Do we have a total employment number.

Fitch stated I don't think so.

Sheppard asked would we be better off if they didn't create any jobs.

Fitch stated you have to tie something to it.

Sheppard stated the minimum amount of jobs means LEDA gets more money.

Nance stated their reimbursement is set on the number of jobs. The details of the contract have not been created. Batchelor is working on it.

Sheppard stated that is what I'm saying. Our reimbursement shrinks with the same amount of dollars coming in.

Rogalski stated that is correct. The revenue is the same regardless of what the employment numbers are.

Sheppard stated we would be better off with less employees.

Fitch stated yes.

Nance stated they are agreeable with 20. I think they are sure they will have an additional 20 employees.

Rogalski stated they have 165 jobs. This agreement is taking into account the total number of jobs. It does not work to hire 20 new employees and release 20 others.

Nance asked don't those jobs have to be there for a certain period of time.

Rogalski stated 5 years.

Denham stated my concern is the Assessor saying the assessment is not $90,000,000 but $50,000,000 due to depreciation.

Means stated that is what happens on this stuff.

Nance stated Batchelor's numbers takes into consideration depreciation.

Rogalski stated with personal property you start with a fixed number and then it depreciates. Batchelor has taken depreciation into consideration so you know how fast it will drop off.

Madigan asked do we have a timeline that we are trying to meet here.

Nance stated yes. They are trying to move as quickly as possible. Gray Howard has assured his Board he has local support and needs evidence of that support.

Fitch asked would you like for Batchelor to come and explain it to you in further detail. We can do that. It isn't a problem.

Means stated yes.

Denham stated that's another deal. Batchelor made a quite a bit of money from the first 2 TIF's. We will be back on the hook for paying for a new TIF.

Nance stated we will be reimbursed by the TIF. Batchelor gave us some estimate for what he thinks it's going to cost. There was an initial estimate of $15,000 and he had $19,000 in time. LEDC paid that $19,000. He has some additional estimates. I would say for what he is doing he is certainly within range.

Sheppard asked who is going to reimburse Batchelor.

Nance stated LEDC.

Denham asked LEDC or LEDA.

Nance stated LEDA will pay and then be reimbursed from the TIF.

Denham asked can we get some kind of cash flow timeline. We will pay out dollars in year 6 but will we see dollars before that.

Rogalski stated years 1 through 5 LEDA will get all the TIF revenues.

Denham stated that is assuming that this is built and installed in year one.

Fitch stated the entire TIF will come to LEDA on an annual basis. Then it will be calculated as what goes to Republic, Bachelor and Cache Public Schools. The rest goes to LEDA.

Rogalski stated this agreement has a project commencement of December 2019.

Denham asked what is the timeline to get up and running.

Rogalski stated December 31, 2023.

Sheppard asked are those 3 years part of the 5 or is the 5 year period to begin 2023.

Rogalski stated we will have to ask Batchelor that questions. Republic will be getting a State credit for 5 years. They should start the same time. That is the reason they don't receive any revenue from the TIF the first 5 years.

Sheppard asked but we won't have the ad valorem taxes for 3 years.

Rogalski stated I don't know when ad valorem kicks in on personal property. I don't believe it will take 3 years to install the equipment.

Sheppard stated that should all be in the pro forma statement.

Rogalski stated correct.

Wilson asked Nance when you mentioned the 20 employees did you state that was in State Statutes.

Nance stated I thought it was in City of Lawton policies.

Rogalski stated it is in the City of Lawton Economic Development Policy.

Denham stated they support the community in multiple ways and have for years. I think this is awesome that we can help. I just want to make sure we protect ourselves.

Fitch stated creating new jobs is one thing but retaining jobs is another.

Wilson stated the agreement states if it falls below 165 they will receive a reduced total amount.

Cleghorn stated this creates primary jobs and primary jobs create secondary jobs.

Denham stated this is 20 6 figured jobs.

Madigan stated I think this is great. I would just challenge us to be a little more organized. This came to this group out of left field. We need to have the pro forma statements and letters of support from the school systems. I think having a complete package of what we are voting on is necessary. We got there based on discussion but I think it could have been presented better.

Nance stated we are just getting started. A lot of that is yet to come.

Madigan stated I'm going back with our experience with TIF I and II. Everything was organized before we voted on whether to establish the TIF's.

Fitch stated today we are considering a Conditional Economic Development Agreement between LEDA and Republic Paper Board. You have to have this in place before you can do a TIF.

Denham stated in essence this is going to be in place in 4 months.

Rogalski stated what you are doing in this agreement is creating the revenue for the TIF. This is conditional on the TIF being created. The difference between this and Lawton Town Center is we are not borrowing money. Everything we talked about today is paying for itself. When the TIF is created you will talk about the pro forma but that is a different conservation. We are talking about an agreement that simply sets up the basic parameters that you would create a TIF from. Republic is creating a $90,000,000 investment and in order to support the investment we are willing to provide $4.3 million over years 6 to 25. This is all subjected to the TIF being created.

Cleghorn stated this is subject to them meeting the requirements of the agreement. If they don't meet the requirements they don't get the revenues.

Rogalski stated correct.

Denham asked to expand the TIF District beyond the Republic footprint are we not going to have some source of revenue.

Fitch stated the revenue is coming from the ad valorem.

Denham asked will the Republic investment support all the other developments.

Rogalski stated you will have to keep a window on Republic because it has the revenue source. You can create a TIF larger than Republic but they would have no obligation or funding.

Denham stated that is what I'm getting at. Where is the funding source.

Rogalski stated you could have a Development Agreement after the TIF is on the ground.

Madigan asked so the boundary of the TIF is yet to be determined.

Fitch stated correct.

Nance stated if it is bigger then there is more area that we could benefit from on additional development. You want to time the TIF to when construction will start because you don't want to lose any of your 25 years.

Madigan stated okay.

Fitch stated I'd entertain a motion.

Motion by Denham, **Second** by Neal, to approve a conditional Economic Development Agreement between LEDA and Republic Paperboard Company, LLC, and authorizing the Chairman to execute the Agreement. **Aye**: Nance; Neal; Sheppard; Denham; Fitch; Fortenbaugh; Jackson; Madigan. **Abstain**: Means. **Nay**: None. **Motion Passed**.

DISCUSSION ITEMS AND REPORTS

ADJOURNMENT

There being no further business the meeting adjourned at 4:50 p.m.

Motion by Sheppard, **Second** by Neal, to adjourn. **Aye**: Nance; Neal; Sheppard; Denham; Fitch; Fortenbaugh; Jackson; Madigan; Means. **Nay**: None. **Motion Passed**.