MINUTES
LAWTON ECONOMIC DEVELOPMENT AUTHORITY
MAYOR'S CONFERENCE ROOM
NEW CITY HALL
DECEMBER 19, 2019, AT 2:00 P.M.

Fred Fitch, Chair, called the meeting to order at 2:00 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: Denham, David; Fitch, Fred; Means, David; Neal, Larry; Sheppard, Ernie.
ABSENT: Fortenbaugh, Sean; Jackson, Keith; Madigan, David; Nance, Ron.
OTHERS PRESENT: Richard Rogalski, Executive Director; Bob Ross, Acting City Attorney; Kristin Huntley, Finance; Denise Ezell, City Clerk's Office; Michael Cleghorn, City Manager; Stan Booker, Mayor; Kim McConnell, Lawton Constitution.

INTRODUCTION OF GUESTS

There were no guest present.

BUSINESS ITEMS

1. Consider approving the minutes of August 13, 2019.

Motion by Denham, **Second** by Means, to approve the minutes of August 13, 2019. **Aye**: Fitch; Means; Neal; Sheppard; Denham. **Nay**: None. **Motion Passed**.

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

Fitch stated the only approval for today is the CCIDA check.

Motion by Means, **Second** by Neal, to approve invoices, requisitions, and all other submitted materials for payment. **Aye**: Means; Neal; Sheppard; Denham; Fitch. **Nay**: None. **Motion Passed**.

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

Huntley stated we have several reports to cover today. Starting with August you see at the end of the month you had $259,264.25 in the bank. Under other current assets you see the matching funds for January to June are in the amount of $388,764.74. That money was received in September so you will see it in the bank next month. Under liabilities and equity, the principal balance on the CCIDA loan is just under $1.4 million and under long term liability the BancFirst line of credit is still $26,000,000. That was paid on September 1st so it will go away next month and be replaced with the new line of credit. On the next page is the Income and Expense report. The first three (3) lines in the revenue is from fiscal year 18-19. That is the hotel sales tax for June, the matching funds for January to June and sales and use tax for June. Matching funds were up slightly from this time last year on hotel sales and sales and use tax were down. Property tax in July was $19,448.50 and this was up from this time last year. Interest income was down slightly because we don't have as much in the bank. Under expenses we have bank service charges of $25 and that was a wire fee and our interest expense was just over $140,000. Total net income for August was negative $120,783.94 and for the fiscal year to date it was negative $263,063.54. Are there any questions. If not, we will move on to September. At the end of the month we had $591,016.52 in the bank. Other current assets are the July 2019 hotel sales tax receivable for $9,663.48. Our sales and use tax receivable for July was $24,787.80. I forgot to mention on the sales and use tax receivable you will see a little bit for May and June. There was an error in the spreadsheet so we made a back claim for that after the fact. That is why those are still showing up. Under liabilities and equities our incurred interest payable on the new note is $110,303.02 for the month of September. The CCIDA loan principal balance is $1,393,321.19 and the BancFirst line of credit is $26,572,525.19. On the next page about all the revenues were down from last year except for the hotel sales tax. Total income for September was $44,299.92. Our expenses are the bank services charges for the trustee fees to BOK. Interest expense is the CCIDA and BancFirst notes. Loss on the Sale of Land is from the land that we purchased back from Collett for Bricktown Brewery. We purchased the land for $347,000 and we sold it for $37,000. In the accounting world we have to report that as a loss. This does not affect the cash or anything it is just an expense on the income statement. We have mowing for the month of September in the amount of $1150 and professional fees to Center for Economic Development Law for $12,000. Total net income for September was negative $394,812.45. Are there any questions.

Denham stated under the column "percent change" there are percentages that are 2600 and 1000.

Huntley stated those are formulas.

Rogalski stated your professional fees also included the bond attorney.

Fitch stated those were all for the sale of land for Bricktown Brewery.

Huntley stated we will move on to October. At the end of the month you had $618,767.58 in the bank. Hotel sales tax receivables for August was $8,834.96 and sales and use tax was $42,107.72. Under liabilities and equities, the accrued interest payable is up to $230,000 and our loan to CCIDA was $1,389,725.28. The BancFirst note is unchanged because we didn't make a draw this month. On the Income Statement on the next page all the revenue was down for the month. We collected $56,667.53 compared to last year and we are down 7.5%. The interest expense is for CCIDA and BancFirst notes. We had one (1) more mowing for October and professional fees of $5,719 for Center for Economic Development Law. Total net income for October was negative $74,076.91. Are there any questions for October? If not, we will move to November. At the end of the month you had $666,040.43. Hotel sales tax receivable for September was $7,967.05 and sales and use tax was $32,517.92. Our current interest payable balance is up to $342,812.62 and our CCIDA note is down to $1,383,767.99. On the income statement you see that property tax income was up from last year and everything else is down. Total income for the month was $46,478,62 which is down 25%. Compared to last year fiscal year it is down 16.9%. The only expense for the month was the interest expense. Your total net income was negative $69,607.91 and for the fiscal year it is negative $801,560.11. Are there any questions.

Fitch stated the amount that the hotel can charge the military is $85 to $90 a night. That is less than they wanted to be able to charge. The hotel was built on a room rate of $120. Forty-five (45) present of their revenue every month is military so they have to charge more to the other fifty-five (55) percent to come up with the figures they do. Another problem was when Fort Sill opened the 500 rooms. This has impacted all the hotels in Lawton, Oklahoma and nothing we can do about it. Both the city and the hotel owners are having to learn to live with this. The city bears the blunt of the sales tax exemption cards. We do not get any state, county or city sales tax money. Sales tax exemption cards on goods and services is about $22,000,000 a year. Those are things that are beyond our control. It is good to have Fort Sill but there are some repercussions.

Motion by Sheppard, **Second** by Denham, to accept the treasurer's report. **Aye**: Means; Neal; Sheppard; Denham; Fitch. **Nay**: None. **Motion Passed**.

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

Fitch stated you see steel is going up at 2nd and Gore for Bricktown Brewery. The plumber is behind so they haven't poured the slab. They have poured the footings.

Means asked what is Pippin's holdup.

Fitch stated he has other jobs.

Neal stated I thought they gave the job to someone else.

Fitch stated I haven't heard that.

Neal stated Jerry told Mike that he couldn't man the job and Mike stated he would have to give the contract to someone else. Jerry said that would be fine. There is a white truck with a trailer there today and I thought maybe they were unloading equipment.

Fitch stated another issues was the rain. Water stood for quite some time and they couldn't get in to trench or plumb. They are still hopeful for a spring opening. They would like to open on St. Patrick's Day. I don't know if they are going to make it.

Neal stated March 19th.

Fitch stated Mike has a lot of other jobs going on and he is not necessarily up to date on every project. He has a lot of work that is spread out within his organization.

Rogalski stated since we hadn't met prior to the refinancing is there anyone that has any questions. We refinanced our note providing a contingency amount that we can draw on, it provides a lower interest rate of 5.25% and we made the September payment. The March payment will be about $698,000 and between the state match and sales tax we should have just about the exact amount. Sales tax receipts for this year are down from last year. We did pick up last month and hopefully we will have a serge in November and December to balance it out.

Cleghorn stated I'm not sure if you are aware but as of January 1, 2020 anyone with a Veterans Administrative Disability card can go on post and shop tax free. That is going to hurt everyone's sales tax.

Fitch stated that will be another blow the military communities will have to take.

Cleghorn stated there are 12,000 veterans in the community and 3600 are 100% exempt from property tax.

Fitch stated something to be thankful for is Fort Sill doesn't carry the variety of products or the volume on its shelves. There will be sales for retail but nothing for the city and that is tough. The state legislatures are going to look at some type of formula for reimbursing military communities for the sale tax exemption cards. JP Richard and I have spoke at lengths about it. This will be two (2) or three (3) years away before we would see anything but none the less, they are looking at it.

Means asked where are they getting the money.

Denham stated probably the general fund.

Fitch stated that may be what they are trying to figure out before they go any further.

Cleghorn stated the state of Texas does something similar to that. Texas came up with a formula that would reimburse military communities that were contiguous to a military base. It comes from their general fund. Everyone pitched in and it was shared across the state to those communities. It wasn't everything that they had loss but it was someone in the range of 70 to 80%.

Denham asked will Fort Sill still collect the AFFEE fees.

Cleghorn stated they will charge that fee.

Fitch asked is that charged on every sale.

Cleghorn stated the commissary charges a service charge for their service and as far as I know that will still be charged.

Denham stated they have never collected sales tax for us.

Cleghorn stated no, they don't collect that on any military installation.

Denham asked have we heard anything new from Collett.

Fitch stated no. Are there any questions in regards to the refinancing? Did we get everything worked out on that bill?

Rogalski stated I haven't heard anything. My thoughts are no news is good news.

Fitch stated BancFirst sent us a bill that dealt with the closing for $10,000 plus. I went back and talked with Mark Brace about it. All the banks are pointing wanting to know why the transfer and the refund wasn't done when it should have been. It was all applied to the principal and this saved us $300,000 to $500,000 in interest. We had a rate of prime plus 125 bases points and prime rose about 75 bases points. Now it is prime. We did the refinance prior to 50 bases point and interest rates dropped. We are working on a half of a percentage higher than what it would be if it went into effect today. If rates do not change next September it will reduce 50 bases points for the next coming year. It recalculates every September. The note was also changed to where we don't have to repay any draw on the reserve within 6 months. This takes the City of Lawton out of the equation in having to help LEDA pay the money back into the reserve fund. It will be added to the note. We had to hire bond council and that amount was included in the $12,000 we were billed. Now the banks have billed us another $10,000. I explained to Mark this wasn't discussed during our conservations. I also asked why it wasn't submitted at the closing and they didn't have an answer. Mark was going to get with the other banks to see what could be worked out and get back with me. That was five (5) or six (6) weeks ago and we still haven't heard from them. I'm not for paying that bill.

Rogalski stated we started the process based on an error of the banks. Through the process we got several benefits in terms of the refinancing. The interest rate change is a large benefit and a good deal for LEDA. If we have to share the cost it is not the end of the world because we are saving a ton of money on interest.

Fitch stated Mark made the statement that $10,000 was chicken feed seeing that we saved a half a million on interest. I stated you are talking apples and oranges. The reason we saved was because they miss applied the dollars and now we are pulling those dollars back for our reserve fund. Our obligation at the closing was to pay our bond attorneys and we did. I have been frank and honest with my comments and they may not have liked some of them but it is reality. I'm standing firm on my position.

5. Ratify the Yearly Meeting Notice.

Fitch stated the notice was in your packet and it schedules our meetings for the third Thursday at 2:00 p.m. in this room for 2020 calendar year. The notice was submitted and we need to ratify the action.

Motion by Denham, **Second** by Means, to ratify the action of filing the Yearly Meeting Notice with the City Clerk. **Aye**: Means; Neal; Sheppard; Denham; Fitch. **Nay**: None. **Motion Passed**.

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

Rogalski stated this Resolution approves the amended agreement and allows the chairman and secretary to execute the documents pursuant to the terms of the agreement. Everything is exactly the same in terms of the expansion, the amount of investment, and new jobs at an average salary of $108,000 each. During the process of planning for the TIF District they made it an ad valorem and sales tax TIF. The original agreement was anticipating ad valorem only. The development assistance is the same payable years six (6) through twenty-five (25) at roughly two (2) years' worth of earnings of those salaries. Since this became a sales tax TIF we have put some language about them collecting sales tax. In the normal course of their work they don't collect sales tax but during the expansion they will generate sales tax. Our agreement asked them to deliver materials to the site so that the sales tax will be paid to the City of Lawton. The TIF District will receive 2% of the sales tax collected. We have estimated that to be around a half a million dollars. This agreement helps to incentivize them to deliver the materials to the site, keep good records and provide those records to us. Their incentive is 10% of the collections. If we collect a half a million dollars, they would get $50,000.

Means asked did the contractor agree to that.

Rogalski stated Republic Paper will direct the contract to do those things. On page six (6) under 4.6-1 that is where it talks about the contract delivering to the site. It is limited to purchases over $10,000. We are not tying to get every bolt and screw but we are trying to get the big stuff delivered to Lawton. Both 4.6-1 and 4.6-2 talk about the sales tax and 4.6-2 being the incentive.

Fitch stated what has to be agreed upon today is the revisions of this agreement.

Rogalski stated this version has been signed by Ray Howard of Republic. I should also mention that the City of Lawton is now a part of the agreement. This is a three (3) party agreement and it is set to go before Council on the 14th after you consider it.

Fitch stated it would have been nice to have someone from this authority sitting on the TIF committee.

Rogalski stated Ron Nance was representing LEDC.

Fitch stated he wasn't there on behalf of LEDA. Since LEDA is going to be the body that funds are paid to it would have been nice. The first five (5) years ad valorem is abated by the State. There will be some use and sales tax that will be generated from the construction as well as ongoing use tax during that period of time. As I understand it as of December 1st we are responsible for paying all the bills that are against TIF 3. I know there is a very large bill from Dan Batchelor and I don't know if the City has received that bill yet.

Cleghorn stated the bill for Center of Economic Development Law, Dan Batchelor, was encumbered as part of the hotel/motel tax EEC fund. There is a reimbursement mechanism as part of the TIF to pay back the City. The City is handling those right now.

Fitch asked so there is not a bill coming from Dan Batchelor to LEDA through the City at this point and time because we have no money.

Rogalski stated there is still work being done on the TIF District. We have to get the sale tax apportionment and a few thing things that are still happening. Those are still under the City's nickel. Once LEDA is the entity that receives funds then they will start to reimburse the City of Lawton and managing whatever bills. There will not be any income until some sales tax starts to be delivered and that will be several months.

Sheppard stated so we will be responsible for all of Batchelor's bills concerning this particular project.

Rogalski stated the TIF District will be.

Sheppard asked do you know how much that is so far.

Cleghorn stated we have encumbered up to $200,000. I don't remember the amount of his latest bill but I believe it was in the $90,000 range. It is expected there will be 50 to 60% more work to be done so to be safe we encumbered $200,000. I don't know if that will be spot on but that is what we have encumbered.

Sheppard asked did you say $200,000 plus another $90,000.

Rogalski stated no.

Denham stated that is part of the $200,000.

Sheppard asked so you have $200,000 and this is only 50% of the work so we can expect another $200,000.

Denham stated another $90,000.

Cleghorn stated with the work that has been done there is an additional 50 to 60% anticipated to be done. The bill should be somewhere between $180,000 and $200,000 and we have encumbered a total of $200,000 to pay his bills.

Fitch stated then when the TIF money starts coming in that money will be paid back to the hotel/motel economic development fund.

Cleghorn stated correct.

Fitch stated and not the City of Lawton.

Cleghorn stated no.

Fitch stated the City of Lawton didn't borrow the money. The took it from the economic development reserve fund.

Cleghorn stated correct.

Sheppard asked how much is sales and use tax on $4,000,000. That is what they are spending on the building right.

Fitch stated no. Sales and use tax they said would be around $500,000.

Rogalski stated we believe the project will generate about $500,000 in sales tax. If we apply for the State match then we will have twice that amount. We intend to apply for the State match but we haven't been approved yet. The sales tax would cover the amount of Dan's stuff.

Fitch stated we still get ad valorem from 2014 to present.

Denham asked isn't the state match tied to the military strategic plan.

Rogalski stated to an enterprise zone and this is an enterprise zone.

Fitch stated and that has to be approved by the state legislature.

Rogalski stated yes.

Fitch stated it may or may not happen but we hope it does.

Rogalski stated correct.

Fitch stated so we would have the revenue from ad valorem and a potential match by the State.

Rogalski stated ad valorem is significant on $94,000,000. I don't remember what the numbers are for the first year but it certainly will pay the legal fees.

Fitch stated we will have the money to pay back the hotel/motel economic development reserve fund.

Denham asked will we create all new accounts to keep track.

Rogalski stated yes. It will all need to be sperate accounts.

Fitch stated we now have 13 TIF's and the Republic Paper properties will be TIF III.

Means asked so TIF III doesn't include the industrial property by the airport.

Rogalski stated no.

Means asked what does that involve.

Rogalski stated the project plan has created TIF III and future TIF's A through L. There are a whole bunch of them scattered around the west and east industrial tracts.

Means asked but TIF III is strictly Republic.

Rogalski stated yes and the only one that is currently collecting.

Fitch stated and that will only have an impact on Cache Schools as far as receiving funds. Lawton Public Schools only impact will be at the airport industrial park.

Denham stated and Vo-Tech is on both of them.

Means asked are you sure because Bishop School is in there.

Booker stated Bishop is in Lawton Public Schools.

Fitch stated the industrial park is in Lawton Public Schools.

Rogalski stated yes, it is.

Means asked where is Bishop because they have some land down there.

Rogalski stated they have their own district. Bishop is within the City of Lawton but it is not within the industrial area. That area is Lawton Public Schools.

Booker stated the north side of the proposed TIF, I don't remember the letter, is the dividing line between Lawton and Bishop. Bishop is not included.

Means stated okay. I know they own land there but I didn't remember where the boundaries were.

Denham asked when does the twenty-five (25) year clock start on TIF III.

Rogalski stated it starts now.

Denham asked when we sign this.

Rogalski stated no. It started when Council approved it.

Denham asked do they all have their own twenty-five (25) years.

Rogalski stated we have ten (10) years to start all the other TIF Districts. Once we start them, they go for twenty-five (25) years. If we go ten (10) years and only start two (2) TIF's that is all we get.

Fitch stated CCIDA has 160 acres that is not in the City limits and it is not in the TIF District. Is that correct?

Rogalski stated yes. You have to be within the City limits to be a part of the TIF.

Fitch stated Goodyear de-annexed from the City. If Goodyear wants to take advantage of a TIF they would have to be annexed back into the City. Is that correct.

Ross stated yes.

Fitch stated there would be a lot of cost for them to annex back into the City. They wanted to de-annex because they didn't want to pay sales tax and it has created a problem with who is responsible for fighting fires and everything else. We should bill them if we go out there to fight a fire.

Means stated Pecan Valley has a volunteer fire department that can fight their fires now.

Denham stated I wondered why they worked around Goodyear during all this.

Rogalski stated because you must be within the City of Lawton to be part of it.

Sheppard stated I have some questions on the agreement. We haven't seen any projections on revenues from the taxes.

Rogalski stated you haven't.

Sheppard stated no.

Rogalski stated I wish I had the project plan with me.

Sheppard stated you stated you had $500,000 coming in from sales and use tax.

Rogalski stated yes. Let me get the project plan.

Sheppard asked what do you have coming from ad valorem taxes.

Rogalski stated quite a bit. I don't want to throw out numbers without seeing them but it is a significant amount.

Denham asked is that due to the increase in value from the expansion of the plant and the equipment.

Rogalski stated yes.

Sheppard asked 2.H talks about the funds have to be sufficient to fulfill the payment obligations. What if it is not? What remedy is available.

Fitch stated look at F. It would be decreased whatever amount it is short for calculation purposes.

Sheppard stated you have left this open ended. If it is not sufficient to fulfill the payment, we don't have an obligation. Is this a condition for the agreement to go forward.

Ross stated correct. In 2.2 LEDA doesn't have any obligation until you A through H has been done.

Sheppard stated right. If we are at the beginning of the agreement how are we to determine if funds are sufficient for the payment. This agreement doesn't start until all of these conditions are satisfied. Is that correct?

Ross stated yes.

Sheppard asked so how is it going to be satisfied at the beginning of the agreement.

Ross stated are you asking how are you going to know when the money is sufficient.

Sheppard stated yes. Are you telling me these conditions are not going to be satisfied until year six (6) or are they starting in year one (1)?

Ross stated we don't know.

Rogalski stated LEDA's obligations starts in year six (6). The conditions should all be complete by then. LEDA doesn't start paying Republic Paper until year six (6).

Sheppard stated right, but paying is completely independent from having funds available. You have revenue coming in and expenses going out. It says here the revenue coming in has to be sufficient. Does that mean each year six (6) through twenty-five (25)?

Ross stated no, that would be an initial trigger to LEDA having to start making payments.

Sheppard stated okay, are there other guarantees that funds are going to be sufficient for LEDA in the following years.

Fitch stated no. We can only expend back to the City, County, Republic Paper and all the entities based on the money that comes in.

Sheppard stated where does it state that in this agreement.

Fitch stated the last sentence of 2.F says: "If it is determined that the Actual Net New Project Payroll is less than $2,160,120.00 for any given year, the amount of benefit payable to Republic will be decreased proportionately as provided in Section 3.2 below."

Sheppard stated that doesn't talk about the revenues coming in. That says the payroll. Our payout is determined there.

Fitch stated you are right.

Sheppard stated it doesn't say anything about the revenue to cover the payout.

Rogalski stated the scope of the project expansion covers that. They have to make $90,000,000 investment in raw materials and $4,000,000 in real property. They have to do those things so they will create the value that the ad valorem will be funded as a condition for us to pay anything to them.

Fitch asked is that what is expected to be done by 2023.

Sheppard stated I would like to see something in here that says LEDA will pay no more than LEDA receives from taxes.

Booker stated I think that is in there.

Sheppard asked where.

Rogalski stated that is the condition you were reading.

Sheppard stated no, it doesn't say that.

Rogalski stated it says "The business personal property ad valorem increment generated by and collected from the Increment District is sufficient for LEDA to fulfill its payment obligations hereunder."

Sheppard stated that is to start the agreement. That is a condition preceding LEDA's obligation. Once that is satisfied LEDA is obligated is that not correct.

Rogalski stated I believe that the condition precedence remains as a condition.

Sheppard stated I'm not reading it that way. Once we are obligated, we are obligated.

Ross stated if I'm understanding your questions you are asking if at one point it is sufficient and then going forward it is not.

Sheppard stated could be.

Ross stated would that terminate the agreement.

Sheppard stated or are we still obligated to pay the formula that is sited. There is no guarantee in the agreement that the funds we are receiving are going to be adequate for the payment. If they are not there is no way for us to get out of it.

Ross stated start at the beginning between 2 and 2.1. This is a condition to the other party having to perform. You are essentially wanting some assurance that those conditions are continuing if I'm hearing you.

Sheppard stated yes. LEDA is just a vehicle here. We don't need to be obligated for something that doesn't happen and owe money later on down the road. We need to be assured that the revenue coming in will be adequate for all future payments and if they are not then we don't have to make the payments.

Ross stated I think there are several people here that are equipped to talk to that point.

Denham stated the revenue will come from the $94,000,000 that they have spent. Is that correct?

Ross stated yes.

Rogalski stated $12.5 and $4,000,000 is the revenue generated by the TIF III. That is based on the $94,000,000 investment and the amortization of the cost and value. We have a year by year projection spreadsheet that shows this.

Sheppard asked so you are betting on projections.

Rogalski stated yes.

Sheppard stated there is still no guarantee in the agreement that we get out of this deal if it fails.

Booker stated I agree with what you are saying. We had this discussion with Dan. I specifically was looking for that and thought I had read it. I'm having trouble finding it right now but your point is very well taken and I agree with you.

Rogalski asked do you want me to see if I can get Dan on the phone. My feelings are you are not borrowing money and if they make the investment the ad valorem is as good of a guarantee you can get.

Sheppard stated if it is guaranteed then why don't we put it in the agreement that Republic is going to pay us $12.4 million in taxes. We are relying on projections and I understand that your projections are probably solid.

Rogalski stated they are based on ad valorem projections. It is not like guessing how much sales tax there is going to be.

Sheppard stated I understand.

Rogalski stated they are saying if you spend this much money it has this much value.

Sheppard stated it would be so simple to just say that LEDA is going to pay out no more than they receive.

Fitch stated correct.

Sheppard asked why can't we add that Bob.

Ross stated it is a negotiated agreement. I think part of what your question is, and this may not be what the Mayor was talking about, but the accumulative nature of the remedy's and rights in 5.2 on page seven (7) solidifies the idea that the obligations are ongoing and meeting them once doesn't mean that never collecting another dime we still have to give them all the money. I think that paragraph addresses the idea that these remedies and rights are ongoing and not a onetime sort of thing. If I'm understanding you that is sort of the basis of what your concern is. What if it happens now but it doesn't happen in the future? That would be the best answer I have at this point.

Sheppard stated so you think that paragraph covers it.

Ross stated I think the only reason for that paragraph to be in the agreement would be that was the way that the rights and remedies are going to be construed as being on going and not as a onetime thing. If the idea was it was going to be a onetime thing then 5.2 would be useless in this document.

Rogalski stated and the $94,000,000 has to be done by 2023.

Ross stated to me the fact that 5.2 is in there, while it doesn't say the direct language you are talking about, I think certainly shows what the understanding of the….

Sheppard stated so you think a combination of 2.h and 5.2 says that if any year the revenue is not sufficient to cover the payment, we don't make the payment or we make a pro rata part of the payment.

Ross stated I don't see pro rata language.

Sheppard stated so we just don't make the payment.

Fitch stated well I think there is pro rata language in 3.2 isn't there.

Sheppard stated no. That is how the payout is calculated. The payout is not based on the revenue.

Fitch stated it has nothing to do with the revenue. On this sheet that was updated November 22nd looks like in column A they have projections and for all other TIF Districts they don't know what they are.

Rogalski stated these are guesses. These are just guesses based on the $94,000,000.

Fitch stated this is based on $94,000,000 and this is based on nothing.

Ross stated you won't have real numbers for the other TIF District until they are created.

Sheppard stated but you still don't have any remedy. If your obligation is short and not what they are suppose to be what is the remedy. What happens. Is there no payout or is there a partial payout? What is it?

Booker stated let's look at 2.8 "Conditions Proceeding Project Development". H says "The business personal property ad valorem increment generated by and collected from the Increment District is sufficient for LEDA to fulfill its payment obligations hereunder."

Sheppard asked and what happens if it is not.

Fitch stated I understand that it would be based on the revenue received.

Sheppard stated that is not in the agreement. Do we not owe anything or do we owe some of it? It is not clear.

Ross stated I haven't seen anything about pro rata. I'm not an expert on this agreement. The answer would be if the conditions that trigger your obligation aren't met then there would be no payment.

Sheppard stated no obligation.

Fitch stated no payment at all even though we collected some revenues.

Ross stated I see what you are saying but that is not the way this appears to be written.

Rogalski asked would you like me to get Dan on the phone.

Booker stated he is in a meeting. Another challenge is we might have conflicting obligations by the TIF the way it is written. I think the agreement with Republic doesn't say that off the top we are paying 10% to the STEM and 25% net benefit to the organization. Then

Republic has some claim or obligation from us. Does that make sense. Do you understand what I'm saying Richard?

Rogalski stated yes.

Sheppard asked are you saying that part of the $12,000,000 goes other places.

Booker stated that's correct. Not only that goes to other places (inaudible)

Denham stated so the school gets theirs up front.

Sheppard stated so we still don't have a good projection as to what the TIF is getting or will have available to pay.

Rogalski stated we have a good projection of what we have.

Booker stated we just can't lay our fingers on it right now. Your point is well taken. I think another challenge is the agreement does not recognize priority obligations of the TIF. Is that a good way to say it?

Ross stated or it doesn't address your pro rata concern which is sort of the same thing.

Booker stated I don't understand the pro rata statement.

Ross stated if the projection meets 80% of its requirement does the TIF use 80% instead of 100 or does it not proceed with anything.

Sheppard stated there is no remedy in 2.h if funds are insufficient. There is no remedy specified here as to how you solve the problem.

Fitch asked will the schools get any of the sales and use tax that comes in within the first five (5) years.

Booker stated they will.

Fitch stated so they will get 25% of the sales and use tax that comes in.

Booker stated no. There are different taxing entities. So Great Plains, the county, the health department, will get 25%.

Fitch asked and the schools will get 35%.

Booker stated the schools will get 35% net benefit. This means the State funding formula is utilized to come up with that 35%. Then 10% of the TIF goes to STEM education per student.

Fitch asked in addition to the 35%.

Book stated in addition to the 35% but STEM education for schools in the City based upon population.

Fitch stated I'm hearing things that I have never heard before.

Booker stated population means school average.

Denham asked will LEDA get 55% depending on the variance between the school funding.

Booker stated no. Because of the school funding formula at the 35% net benefit the total cost the TIF gets 19%.

Fitch stated at some point the schools are going over what they are allowed to receive.

Booker stated that is not the issue. They will get state aid. There are thirty-five (35) mills that goes to the school for operations, five (5) mills that goes to a building fund and four (4) mills that goes to the County that is divided by school population. The State pays the thirty-five (35) mills if it doesn't come from local assets. The other five (5) and four (4) is what we have to make up only as it applies to them. They don't get the whole four (4) mills for the County. That is divided up per school.

Fitch asked all schools in the County.

Booker stated that is right. Divided by all schools in the County based on average daily membership. That is why you can give them 35% net benefit and it doesn't cost you that much and still spend 19%. Ten (10) percent is going to the TIF. All of that paying 25% and 35% net benefit cost the TIF 9%. Did I say that right?

Rogalski stated yes. The TIF District gets 81% of the revenue.

Fitch asked then the other money comes from the State to the schools.

Booker stated correct.

Denham asked are the schools and other entities entitled to the sales and use tax.

Rogalski stated no.

Denham stated only the ad valorem.

Booker stated correct. Twenty-Five (25) percent net benefit of what they would have received.

Fitch stated but the ad valorem won't kick in until year six (6).

Denham stated as soon as the expansion is done.

Sheppard stated which will be year five (5).

Fitch stated it actually won't start accumulating until year six (6) will it.

Rogalski stated the agreement requires the investments be complete by 2023. In 2023 you will be earning the full amount of ad valorem and we don't owe them anything until 2026.

Fitch asked who is paying that ad valorem.

Denham stated their ad valorem will still increase over the first five (5) years.

Fitch stated the first five (5) years they don't pay any ad valorem.

Rogalski stated the State will pay it.

Fitch asked the State will pay it to the County.

Rogalski stated yes. The TIF will still get the money.

Booker stated it is an industrial development incentive of the State to let them not pay taxes for five (5) years. The State pays back the entities that are involved during the five (5) years.

Denham asked do we have the baseline and does any increase over that come to us in years two (2), three (3) and four (4).

Fitch asked is the amount that will be reimbursed to all the entities equal to the estimated value of the equipment and everything that goes into that project. Are you getting reimbursed from the State the same amount as if Republic was paying the taxes?

Rogalski stated my understanding is yes.

Denham asked how does depreciating the assets affect us.

Rogalski stated that is plugged into the projection.

Fitch asked what if they go to the County Assessor and appeal the amount owed.

Denham stated Goodyear does that all the time.

Means stated I believe the way ad valorem is set up you are taxed on the fair market and not actual cost. You can have a net worth is $60,000,000 instead of $90,000,000. You have lost $30,000,000 that quick.

Denham stated it is like driving a car off the lot.

Booker stated I brought up that point and Dan stated we could put that in the agreement but I don't think it made it. That needs to be in here.

Rogalski stated I would like to talk about the amount of the payment. In 3.2 it says that the payment will be payable solely from taxes collected from the increment district.

Sheppard stated well I'm anxious to see this.

Rogalski stated it is right there.

Sheppard stated okay.

Rogalski stated we only have to pay what we collect. The very last sentence in 3.2 says "The amount of each annual payment may be determined by LEDA from time to time so long as it meets its obligation hereunder." At the end of the twenty-five (25) years we owe them a total of $4.3 million but we don't owe any specific amount in any specific year.

Fitch stated fair cash market value and taxable fair cash value are two (2) different things.

Means stated two (2) totally different.

Fitch asked what happens if in year four (4) through ten (10) they say the taxes are not not a fair cash value.

Means stated that is the same thing that Goodyear did. They hired someone to come in who stated the plant wasn't worth what the assessor had it assessed for.

Sheppard asked are there different kinds of ad valorem taxes. This specifies business personal property.

Means stated that throws me off. Ad valorem taxes to me are real estate.

Sheppard stated exactly.

Denham asked is that all the new equipment they are putting into the facility.

Means stated that is known to me as personal property.

Denham stated which is very much depreciated.

Sheppard asked do we need a broader description there.

Means stated I don't know what that means. Do you know what that verbiage means legally? In the appraisal business it doesn't mean anything.

Ross asked do you mean business personal property opposed to personal property.

Means stated no ad valorem personal property.

Ross stated you mean personal property ad valorem.

Denham stated business personal property ad valorem increment.

Ross stated are you where we are Rich. Is there something missing there.

Booker stated Dan is available. Do we have any other way besides my phone?

Cleghorn stated no. I haven't got a phone in this conference room yet. I'll work on that.

Booker stated Dan this is Stan and I'm in a LEDA meeting. There are several questions. One of the questions is there doesn't seem to be a specific statement in the agreement that if there isn't enough money coming from the TIF funds how they get paid or do they get paid.

Batchelor stated I don't have the agreement in front of me but from my recollection there are two (2) provisions in the agreement that bare on the payments source of money to pay the incentive to Republic. Bare in mind that Republic doesn't get paid until near the end of the road. I have forgotten what years but it is paid (1) only out of the personal property tax and (2) if the benefit is adjusted proportionally for any shortfall either in the revenue, which would be a result in lower investment than the $94,000,000 or in a reduction or performance less than the represented payroll for the twenty (20) new jobs.

Booker stated so they are only paid out of the business personal property.

Batchelor stated that is correct and the years in which they are paid are towards end of the twenty-five (25) year period.

Booker stated I was thinking they were paid in six (6) through (25).

Batchelor stated I think that is correct. They are not paid at all during the period of when they might be finding a manufacturing tax exemption. The total benefit will be adjusted proportionally downward if they either do not make the projected total investment or if the amount of jobs and compensation is less than that reflected in this agreement.

Denham stated he said proportionally so that would be pro rata.

Sheppard stated that is the payment. The revenues are different.

Batchelor stated the revenues will be a reflection of the investment and the depreciation rates on the personal property are prescribed by the Oklahoma Tax Commission. Personal property taxes are based on cost.

Sheppard stated Dan this is Ernie Sheppard. In paragraph 2.h it says the funds collected have to be sufficient to fulfill the payment obligations. What if they are not? Does that mean there is no payment made.

Batchelor stated right. That means there would be no payment and of course the payment is going to be coming from Republic. If Republics makes the investment it is obligated for the payment. One should relate to the other.

Sheppard stated so if the ad valorem taxes coming in are insufficient then LEDA is not obligated to make any payment. Is that correct.

Batchelor stated that is correct.

Fitch asked and it wouldn't be a prorated amount based on what was available from the ad valorem other than what is estimated to be the value.

Batchelor stated Republic is in a position to assure that the payment is available by making the investment and by paying their taxes.

Rogalski stated this is Rich. Even though we have a specific amount for the total obligation the annual obligation is determined by LEDA per this agreement. In any given year LEDA gets to determine how much you owe. At the end of the twenty (20) years you have to have paid the $4.3 million provided they made the investment.

Sheppard asked what is our obligation.

Rogalski stated $4.3 million over twenty (20) years. Republic doesn't expect a specific amount. The amount you pay is what you collect.

Fitch stated it is not clear that is what is expected. That would go back to pro rata.

Rogalski stated there is no specific annual obligation in the agreement. You are not obligated to pay any specific amount in any given year of what you collect. You determine the amount you want to pay. LEDA will put together a chart based on the ad valorem we collect. We expect this to generate about three (3) times more than what our obligation is to Republic. You will set out the amount you owe Republic each year based on your projections. That is not written in this contract. This will be what you decide you want to pay based on the revenue.

Sheppard stated I don't think that is correct. It says we can determine our amount but we have to pay our obligation. Our obligation is calculated in paragraph 3.2 and can be up to $4,000,000.

Rogalski stated that is the total obligation over the twenty (20) year period.

Sheppard stated right.

Rogalski stated we don't pay $4,000,000 in any given year. We pay whatever we collect. It is like paying a loan. You spread your principle amount over twenty (20) years based on your revenue. Remember revenues are higher in the early years and with the depreciation your revenue goes down.

Denham stated so we want to front load our payments.

Rogalski stated right.

Sheppard asked how do you calculate our obligation.

Rogalski stated we have a spreadsheet that shows the revenue stream. When we get the actual revenue stream you can adjust the obligation. Right now, we know what we intend to pay to cover our cost for twenty (20) years.

Fitch stated but we are not obligated to pay that.

Rogalski stated we are not obligated to pay that amount.

Fitch asked where in the agreement does it stated we are not obligated.

Sheppard asked how do you calculate the obligation.

Rogalski stated the obligation is based on two (2) times the salary.

Sheppard stated which is $4,000,000.

Rogalski stated yes.

Denham stated if they hire all twenty (20) employees.

Sheppard stated right.

Rogalski stated the obligation at the end of the period is $4.3 million. LEDA gets to determine at what rate we pay that over the course of twenty (20) years.

Sheppard stated this says the annual amount that we pay is determined by LEDA based on our obligation.

Rogalski stated yes, as long as you meet the obligation at the end of the twenty (20) years.

Sheppard stated okay.

Rogalski stated it is not prorated at the end. It is whatever you decide you want to pay every year based on your income.

Fitch stated it says here in 3.2 in annual payments. That doesn't mean $4.32 million.

Rogalski stated no.

Fitch stated that means annual payment based on the number of years of $4.32 million.

Rogalski stated no. That would be the total amount.

Fitch stated that would be the total amount over the 20 years.

Denham stated the aggregate amount.

Fitch stated yes. It says here "and the annual payment commencing in year 6" we don't want to confuse $4.32 as the annual payment.

Rogalski stated no. It is totally from the taxes generated.

Sheppard asked how do we calculate our annual payment.

Rogalski stated you project the amount of revenue you have over the twenty-five (25) years and then you apportion payments. Lets' say we get $1,000,000 in year six (6). It is not necessary to give the whole million to Republic at that point. You can or you could decide to front load it off or you could give $300,000 to Republic and use $700,000 for project cost and build a road. You will keep projecting that across and you are going to make sure that at the end of the twenty-five (25) years you have met your obligation.

Sheppard asked so we are just picking a number out of the sky.

Rogalski stated you are not picking a number out of the sky.

Sheppard asked then how do you calculate the obligation.

Rogalski stated based on your revenue. You know how much revenue you have and you can decide.

Ross stated you have to pay $4.3 million sometime during the twenty (20) years.

Sheppard asked we are going to take $4.3 and divided it by 19 years.

Ross stated you could.

Denham stated you could but you don't want to.

Ross stated you can move it back and forty in any year as long as you get to $4.3 million by the end of the period.

Denham stated but our revenue is going to be a lot lower in year nineteen (19) than it is in year six (6)

Sheppard stated right.

Rogalski stated if you know you are getting a $1,000,000 in year six (6) but only $300,000 in year twenty (20) you don't want to obligation yourself for $400,000 every year because we want to make sure we are covered.

Fitch asked are you talking about money being used for infrastructure and roads of the whole area.

Rogalski stated yes. We can spend money anywhere in the project area.

Fitch asked just in the Republic area.

Rogalski stated no, anywhere you want.

Booker stated the whole industrial area including the new bypass.

Rogalski stated you want to make sure that your obligation is covered before you start putting money into the projects.

Denham stated so we have a $4.3 million obligation that is going to be totally repaid by personal property ad valorem.

Rogalski stated yes.

Denham stated and get extra ad valorem as well.

Rogalski stated yes, and sales tax.

Denham stated sales tax will be front loaded too. We are only going to take the $4.3 million out of the personal property tax from the equipment they install in the facility. The property tax will go into a TIF fund to go forward with these other projects you are talking about.

Fitch stated you have to be very careful if you start pulling off some of this money and don't pay the full amount in that year.

Denham stated we need to go back to David Madigan's spreadsheets and show what exactly is coming in and what we are obligated for.

Booker stated Dan, we talked about making sure they didn't protest their assessment. The first comment is this is 80% business personal property and 20% building. Is that correct.

Batchelor stated yes, that is our information.

Booker stated and business personal property is not protestable. It is based upon the actual cost. It that correct.

Batchelor stated it is based on actual cost and depreciates in schedule prescribed by the Oklahoma Tax Commission.

Booker stated I think there needs to be something in the agreement that either they can't protest or at a minimum that we adjust their payment based upon the protest.

Fitch stated I think the later has to be in there.

Booker asked Dan, what are your thoughts.

Batchelor stated I don't have the agreement in front of me. My recollection is that if they take actions that result in a reduction of the revenue stream that they get a pro rata reduction in their benefit. I could be in error on that and I would have to pull the agreement and review it carefully.

Booker stated I like that.

Fitch stated LEDA doesn't have a dime tied up in this TIF. If only 80% of what we projected comes in we are only going to work with 80% to payback. We will be making a payment based on the amount of money that comes in. Something needs to be in the agreement to clarify that.

Booker stated I don't believe we are under a time crunch to get this done. I don't see a problem tabling this until the next meeting and we can teleconference with Dan and get our questions answered. We want to develop this the way the board members want it. There have been some good points brought up.

Rogalski stated the agreement date needs to be December 1, 2019.

Booker asked tell me why that is. We have the TIF in place.

Rogalski stated I thought if we went past 2019 there was something to do with the ad valorem.

Booker stated that concerns the TIF and not the agreement.

Rogalski stated your right.

Fitch stated if there is no TIF ad valorem coming in for another year then we don't have any income to pay Republic. So, what is reimbursed from the State would be coming to us. Is that correct?

Rogalski stated right.

Booker stated Dan, is there any problems with tabling this until after the first of the year so we can get everybody's concerns addressed.

Batchelor stated no problem at all. That is just fine.

Booker stated I just want to reconfirm the TIF is in place and the agreement does not affect that.

Batchelor stated that is correct. My recommendation is we table this until the next meeting and have a video conference with Dan.

Fitch stated we have only gotten through one (1) question.

Cleghorn asked would it be acceptable to send your questions to Richard and then he sends them to Dan so he could have answers prepared. That would at least get us half way through some of the questions you are concerned about. Then Dan can answer the ones that pop up also.

Fitch asked would you want to meet in the later part of the second week in January.

Sheppard asked is this just a working meeting.

Fitch stated yes. It would be a meeting for us to address other items and send those to Dan.

Sheppard asked is Republic going to balk at this if we start making changes.

Denham stated he has already signed this agreement.

Booker stated but we haven't.

Denham stated right.

Booker stated so the concerns are valid and need to be addressed. We are still working towards an agreement with Republic in good faith we just have some concerns that need to be addressed. That is the way municipal government works, right.

Rogalski stated I can send out the spreadsheet on the terms of projections of all the evaluations and earnings.

Fitch stated I'm going to say the week of the 9th. Is that going to give you enough time to put together a packet and send it to Dan. Dan, will that be enough time for you to address them on the 19th or the week of the 20th.

Means stated the 20th sounds good to me.

Batchelor asked do you want me present. I can look at these issues today or tomorrow and probably get them all answered quickly. If I'm going to meet with you, I need to ask that you consider setting the meeting the later part of the week of January 20th. I'm committed on the 16th and I'm gone on the 9th.

Fitch stated let's reschedule the regular meeting of the 16th to the 23rd.

Batchelor stated okay.

Fitch stated we will have a workshop on the 9th. I would like to meet before 2:00.

Sheppard asked do you want to start at 1:00.

Fitch stated 1:00 or 1:15 on the 9th. We will move the regular meeting from the 16th to the 23rd. Dan will answer our questions and we need to be prepared to rewrite the agreement. Then somebody will have to present the changes to Republic.

Booker stated don't worry about that. This is a twenty-five (25) year agreement with a lot of money. We have to get it right and be comfortable with it. For verification are you wanting a video conference with Dan during the LEDA meeting or do you want a working meeting with him before?

Means stated the working meeting is just between us.

Fitch stated the working meeting is the 9th.

Booker stated and that is just you guys.

Fitch stated yes. We will reschedule our regular monthly meeting to the 23rd and have Dan answer our questions at that time.

Booker stated okay. Dan we will get back to you on the time and how we are going to set up the video conference and we will get you all the questions.

Batchelor stated that sounds fine. That is great and I look forward to the follow-up.

Booker stated thank you very much.

Sheppard stated for the January 9th meeting I would like to see a spreadsheet first of all. I want it with a breakdown of all these exceptions with the school and all that.

Rogalski stated it is a very involved spreadsheet and you will see that before the meeting.

Fitch stated keep in mind when looking at the spreadsheet those are projections.

Rogalski stated they are projections based on the $94,000,000.

Fitch stated based on $94,000,000 and not on the reassessment values.

Ross stated you can't reassess personal property and that is where the revenue comes from. That can't go down.

Fitch stated okay.

Ross stated well it is going to go down but you know how much it will go down.

Sheppard asked can we not be more explicit and say we are not going to pay out anything we don't have.

Ross stated you can say whatever you want but you are not going into this not knowing how much money you are going to have.

Sheppard stated but there is no guarantee.

Ross stated it is a guarantee unless Republic doesn't pay their taxes. You are only paying from the personal property tax. You are paying Republic back from their personal property tax. Personal property tax can't be readjusted by protest.

Sheppard stated okay.

Ross stated the tax commission has a schedule of how much the personal property depreciates year after year. So, you know every year what the tax is going to be on personal property.

Sheppard asked if we know every year why is it not specified in the agreement.

Neal stated we want to leave it open.

Rogalski stated we don't want to get pinned down.

Sheppard asked why. Do you think there is going to be more?

Rogalski stated no.

Sheppard stated if there is not going to be more why don't you specify an amount so it is not any less.

Rogalski stated we can. If you want to specify every year you could. The agreement gives LEDA more flexibility because there maybe other things that you want to fund during that time.

Sheppard stated funding and revenue coming in is two (2) different things.

Ross stated you know how much revenue is coming in.

Sheppard stated right, so why not specify the amount in the agreement.

Cleghorn stated you could say in the agreement that expenditures will not exceed revenues in any given year.

Rogalski stated we specified that they have to spend $90,000,000 in personal property. I'm not sure what you are asking.

Sheppard stated you have projections calculating the amount of revenue that is going to come in, right.

Rogalski stated yes.

Sheppard stated and they are telling me it is not going to be any more than that, it could be less but it won't be more. Right.

Ross stated when it comes to personal property tax, we shouldn't use the word projections. The whole thing is based on them spending $94,000,000 so you know in year one (1) they are going to be taxed on $94,000,000 worth of personal property.

Rogalski stated $90,000,000 personal and $4,000,000 real.

Fitch stated not in year one (1) because it will not be completed in year one (1).

Rogalski stated no.

Denham stated the first year available.

Fitch stated there is not tax raised until it is complete. Once it is complete it will go on the tax rolls.

Ross stated yes. I didn't say that well. Year one (1) of being on the tax rolls. You know the tax is going to be on $94,000,000 and you know each year after that how much less it will be and what the tax is going to be. The only projection you are projecting is that Republic pays its taxes and you know how much that tax will be every year. You have the lead way to pay the

$4.3 million as soon as possible or delay it depending on what you want to do on other projects. I don't think there is any variable in that other than Republic paying their taxes.

Fitch stated we have to estimate what we will pay back every year and will have to keep a running chart of where we are. You don't want to over spend but you want to spend as much as possible on other infrastructure so you are shovel ready.

Rogalski stated correct.

Ross stated your accountant says you have an automobile in your business and it depreciates every year. There is an IRS schedule of what the depreciation is every year. It is the same with this. The tax commission has a schedule of how much it depreciates every year so you will know each year what that is going to be.

Sheppard stated if we know what it is going to be why don't we just put it in the agreement.

Ross stated I don't know why you couldn't put it in the agreement.

Sheppard stated then we don't have to worry about projections.

Booker stated here is the way this deal works. They stated they were going to spend $94,000,000 and it's 80% personal property. I would doubt seriously that anybody has verified anything at this point. Would you agree? This is all off a verbal agreement. Your points are well taken and I agree with you. There needs to be more. There is another risk involved and if you give me a minute, I'll find it.

Neal asked why do we want to pin ourselves down.

Sheppard stated we have already decided there is no upside. There are no more taxes that will be coming in. It is not going to increase.

Rogalski stated they could spend more than $90,000,000.

Ross stated if they add more equipment let's say in year nine (9).

Sheppard stated that is not in this TIF is it.

Denham stated it will be.

Ross stated yes. I mean in the same building.

Sheppard stated the $90,000,000 machine they are putting in is going into our TIF.

Ross stated right. If in year seven (7) they put another $10,000,000 in the same building…

Sheppard asked will that be a separate TIF.

Ross stated no.

Denham stated we will only get fifteen (15) year of it and not the full twenty-five (25).

Sheppard stated so there is an upside.

Denham stated yes.

Booker stated there is another risk to your point. This is their ten (10) year tax history. This is the real estate or what we typically call ad valorem is their business personal property. You see how it has dipped and come back up. That line gets drawn for twenty-five (25) years from that point and this is still depreciating. This is an indication of some kind of investment and it will be depreciating. That line stays the same and when this depreciates it's sucking out of the top. Does that make sense. Does it make sense to you Richard?

Rogalski stated I don't know if I caught that.

Denham stated the blue is the equipment right.

Sheppard stated the blue portion depreciates unless they keep adding to it.

Booker stated on January 1 this new number will be set and that line will be drawn for twenty-five (25) years. That is what all the taxing entities will get. You can see from the chart it does not stay level. Business personal property depreciates. So, anything that is depreciating down here pulls it out of the top. The projections at the top has to include depreciations below the line. Does that make sense.

Rogalski stated yes.

Booker stated creating risk for the amount of money that will be in the TIF.

Rogalski stated the increment is only what is above that line.

Means asked are we getting ad valorem on the real property.

Rogalski stated we are. If the real property value went up you would get that. We are only obligated in this agreement to the business personal property. The TIF still gets the real estate ad valorem of any increase and sales tax. The TIF gets all that but we are only obligated based on our business personal property.

Means stated less what Cache gets.

Rogalski stated yes.

Fitch stated back to what Bob said about spending another $20,000,000 in another year. That gives us a bigger figure to work off of and ist will compensate for the adjustments won't it.

Ross stated that is correct.

Fitch stated and they can add to it every year if they want to.

Booker stated correct. From the chart that you saw obviously they reinvest regularly.

Fitch stated they will do another $90,000,000 in another twenty-five (25) years.

Ross stated I know nothing about their business but that is certainly a possibility. They are obviously not using the same equipment they started with and you would expect over nineteen (19) years they are going to have to have some changes.

Fitch stated it is just like Goodyear.

Ross stated yes.

Fitch asked if they sell the plant to another company in year fifteen (15) do we continue on with this agreement.

Booker stated that is a good question and it needs to be tied down.

Rogalski stated the agreement is with Republic and your obligation is to Republic.

Fitch asked would you have to negotiate an agreement with the new owner.

Booker stated I think you would require it to be absorbed by the new company.

Fitch stated that is a question that Dan needs to address. Did you know that the Chinese owned that company.

Booker stated no.

Rogalski stated this agreement is not assignable. The TIF District is a physical entity that last for twenty-five (25) years no matter who owns the property.

Fitch stated okay.

Denham stated that says successors.

Rogalski stated the agreement is with Republic and is specific to Republic. If they sell to somebody, they would have to ask us to assign it and we would or wouldn't.

Fitch asked would you only be making the assignment to them for the benefit of what is left.

Rogalski stated for what is left.

Denham stated another reason not to pay it all in the first year.

Rogalski stated yes.

Booker stated it is like the parking agreement at the mall. They can't automatically transfer it they have to ask the City to transfer it.

Cleghorn stated according to section 3.2 you have to make an annual payment but you have control of the payment. It starts in year six (6) and goes through year twenty-five (25). They have an incentive to meet those payroll tax projections and if they don't you don't have to give them anything. If they don't meet it you can reduce it by increments because there is a formula built in.

Fitch stated you can reduce it if you wanted to but you don't have to.

Cleghorn stated correct.

Fitch stated of course that would be an impact on the schools and everything else.

Denham stated we are fine as long as they make the investment. It is going to be critical of them finding twenty (20) employees and hiring them at a six (6) figured salary. That is the only thing that generates our obligation of paying them.

Cleghorn stated I think the number was 165.

Rogalski stated they can't hire twenty (20) and fire (20). They have to keep a total payroll of 165.

Fitch asked is there a way to tie the water rate into this.

Cleghorn stated I had a conservation with Republic today and Ray did bring up the water conservation. I mentioned to him that the rate we charge for water does not cover the City's cost to produce water. I'm not saying we should make a profit but we should at a minimum cover our cost. That is something to consider in the future.

Fitch stated we don't want to do what the City of Altus did to Bar-S. When their agreement expired, they were paying $1.25 and it jumped to $4.35. They felt the City should have come to them with an escalation period so they could have been budgeting for the increase.

Cleghorn stated we have five (5) more years in our agreement with Republic. They would like to start talking next year or year two (2). That is important because those rates are tied to a preferred rate for Fort Sill and that also impacts the City.

Fitch stated Fort Sill is not buying as much water as they use to.

Cleghorn stated they buy about 53,000,000 a month or more and Republic is around 35,000,000.

Sheppard asked does our cost for water go up every year.

Cleghorn stated it depends. Between chemicals and personnel cost it escalates every year according with the CPI. It cost the city more every year.

Denham asked with the expansion do they project a larger increase to water usage.

Rogalski stated it is a big retooling so something should change.

Cleghorn stated I would have to go back and read their agreement but I believe their water agreement states they can't use more than 1.5 million gallons of water a day. If they do the rate is determined by the rate schedule at that time.

Denham asked so that hasn't been discussed.

Cleghorn stated no.

Ross stated it doesn't say they can't use it says we don't have to sell them more than that.

Cleghorn stated their reduced rate is at 1.5 million gallons a day. You are right. Beyond that it is at a different rate.

Fitch stated they pretty well have to pay the rate or their production will stay here.

Cleghorn stated these are just things to consider as we work forward.

Rogalski stated prior to the 9th what would you like to have in your hands.

Fitch stated if you have questions get them to Richard.

Rogalski stated I'll make sure to get the data in front of you before the 9th. I will also email it to you when I get it.

Denham stated we might want to talk to David Madigan to see if he has questions.

Sheppard stated I talked with him last night and we had the same questions.

Motion by Denham, **Second** by Sheppard, to table this item until January 9, 2020. **Aye**: Means; Neal; Sheppard; Denham; Fitch. **Nay**: None. **Motion Passed**.

7. Consider approving an agreement between Center For Economic Development Law, City of Lawton and Lawton Economic Development Authority for retaining the legal services of Center For Economic Development Law to provide legal services, consultation, and advice regarding its economic development objectives, activities and strategies for the TIF regarding Republic Paper.

Fitch stated I recommend we table this item. I believe we need to get item six (6) completed before we move forward on this item.

Denham asked is this agreement strictly for TIF III or is it for just working with LEDA.

Fitch stated TIF III.

Denham stated okay.

Motion by Means, **Second** by Denham, to table this item. **Aye**: Neal; Sheppard; Denham; Fitch; Means. **Nay**: None. **Motion Passed**

Denham asked can we make certain we inform Dan that the meeting on the 23rd will be a video conference so he doesn't have to travel.

Rogalski stated yes.

Fitch stated I believe Dan's bill will be more than $200,000. Those bills will be paid from the Lawton Economic Development Reserve Fund and as revenues come in, we will reimburse that fund. We will start getting the State reimburse ad valorem. Is that correct?

Ross stated yes.

Fitch stated and we will receive that prior to year six (6).

Rogalski stated yes.

Fitch stated we will have some revenue down the road to pay bills. I assume at this time bills will go to Council and they will use the reserve fund to pay those bills and we will reimburse the fund. We won't borrow any money ourselves.

Ross stated we are working on the repayment and it being mandatorily taken out of the TIF District Funds.

Fitch stated I believe LEDA needs to reimburse the hotel/motel fund directly. I don't want to see that fund not get reimbursed.

Ross stated yes, I think it is staff's idea that it will go straight back to that fund.

Fitch asked Kristin, would it benefit us to transact TIF III with another bank.

Huntley stated probably. That is what you have done every other time.

Fitch asked who are we dealing with right now.

Huntley stated BOK and IBC. IBC is for TIF I and II. We would probably just establish another account for TIF III.

Fitch stated I'm asking if it would be better to place that with another bank. I don't want monies taken out of LEDA to pay any of this or taken from the TIF to pay LEDA.

Huntley stated if that happens then we are in trouble from an auditing standpoint.

Fitch stated I know but the damage would be done and the money would be spent.

Sheppard stated it is easier to know one (1) person at one (1) bank than to know three (3) people at three (3) different banks. How do you feel about IBC?

Huntley stated I love IBC.

Denham stated we want to make certain this is all on a spreadsheet.

Neal stated Huntley feels she gets really good service out of IBC and that's great.

Fitch stated that's fine. I think we need to come up with a very distinguishable name for that account.

Huntley stated okay.

Denham stated just do Republic.

Fitch stated I would say Republic Industrial TIF III.

Huntley stated I'll get it done.

Fitch stated okay. Are there any other questions? Thank you.

EXECUTIVE SESSION:

DISCUSSION ITEMS AND REPORTS

ADJOURNMENT

There being no further business the meeting adjourned at 4:05 p.m.

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