

AGENDA FOR REGULAR MEETING

CITY OF KERRVILLE, TEXAS

ECONOMIC IMPROVEMENT CORPORATION

TUESDAY, MAY 15, 2017 AT 4:00 P.M.

KERRVILLE CITY HALL CITY COUNCIL CHAMBERS

701 MAIN STREET, KERRVILLE, TEXAS

AGENDA FOR REGULAR MEETING OF THE
CITY OF KERRVILLE, TEXAS
ECONOMIC IMPROVEMENT CORPORATION
MONDAY, MAY 15, 2017, 4:00 P.M.
KERRVILLE CITY HALL COUNCIL CHAMBERS
701 MAIN STREET, KERRVILLE, TEXAS

CALL TO ORDER

INVOCATION

1. VISITORS / CITIZENS FORUM:

Any citizen with business not scheduled on the agenda may speak to the Economic Improvement Corporation. No deliberation or action can be taken on these items because the Open Meetings Act requires an item be posted on an agenda 72 hours before the meeting. Visitors are asked to limit their presentation to three minutes.

2. APPROVAL OF MINUTES:

2A. Approval of minutes for the regular meeting held on April 17, 2017.

3. INFORMATION AND POSSIBLE ACTION:

3A. Report from Bryan O'Connor, Kerrville Economic Development Corporation.

4. MONTHLY REPORTS:

4A. Monthly financials for April 2017. (staff)

4B. Projects update: (staff)

River Trail

Kerrville Sports Complex

Reuse Distribution Lines

Tennis Center Improvements

Downtown Streetscape

5. CONSIDERATION AND POSSIBLE ACTION:

5A. Economic Development Grant Agreement between Fox Tank Company, Inc. and the City of Kerrville, Texas Economic Improvement Corporation.

The facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive service must be made 48 hours prior to this event. Please contact the City Secretary's Office at 830-257-8000 for further information.

I do hereby certify that this notice of meeting was posted on the bulletin board at the city hall of the city of Kerrville, Texas, and said notice was posted on the following date and time May 12, 2017, at 4:00 p.m. and remained posted continuously for at least 72 hours preceding the scheduled time of the meeting.

Cheryl Brown

Deputy City Secretary, City of Kerrville, Texas

5. EXECUTIVE SESSION:

The Economic Improvement Corporation may, as permitted by law, adjourn into executive session at any time to discuss any matter listed above including if they meet the qualifications in Sections 551.071 (consultation with attorney), 551.072 (deliberation regarding real property), 551.073 (deliberation regarding gifts), 551.074 (personnel matters), 551.076 (deliberation regarding security devices), and 551.087 (deliberation regarding economic development negotiations) of Chapter 551 of the Texas Government Code, including the following matters:

5A. Economic Development Grant Agreement between Fox Tank Company, Inc. and the City of Kerrville, Texas Economic Improvement Corporation.

6. POSSIBLE ACTION FOR ITEMS DISCUSSED IN EXECUTIVE SESSION

7. ITEMS FOR FUTURE AGENDAS

8. ANNOUNCEMENTS

9. ADJOURNMENT.

The facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive service must be made 48 hours prior to this event. Please contact the City Secretary's Office at 830-257-8000 for further information.

I do hereby certify that this notice of meeting was posted on the bulletin board at the city hall of the city of Kerrville, Texas, and said notice was posted on the following date and time: May 12, 2017 at 4:00 p.m. and remained posted continuously for at least 72 hours preceding the scheduled time of the meeting.

Cheryl Brown

Deputy City Secretary, City of Kerrville, Texas

Agenda Item:

2A. Approval of minutes for the regular meeting held on April 17, 2017.

CITY OF KERRVILLE, TEXAS ECONOMIC IMPROVEMENT CORPORATION
REGULAR MEETING **APRIL 17, 2017**

On Tuesday, April 17, 2017, the regular meeting of the members of the City of Kerrville, Texas Economic Improvement Corporation, was called to order at 4:00 p.m. by Sheri Pattillo, Vice-President, in the Council Chambers at City Hall, at 701 Main Street, Kerrville, Texas.

Members Present:

Sheri Pattillo, Vice President
Kenneth Early
Delayne Sigerman
Paul Stafford
Mary Ellen Summerlin

Members Absent:

Gary Cochrane, President
James Wilson

City Executive Staff Present:

E.A. Hoppe, Deputy City Manager
Mike Hayes, City Attorney
Cheryl Brown, Deputy City Secretary
Sandra Yarbrough, Finance Director

Visitors Present: Visitor list available in the City Secretary's Office for the required retention period.

1. **VISITORS/CITIZENS FORUM:** No one spoke.

2. **APPROVAL OF MINUTES:**

2A. Approval of minutes for the regular meeting held on March 20, 2017.

Mr. Early moved to approve the minutes. Ms. Summerlin seconded, and the motion passed 5-0.

3 **MONTHLY REPORTS:**

3A. Monthly financials for March 2017. (staff)

Ms. Yarbrough reported a cash balance on March 31, 2017 of \$2,451,826. She reviewed the capital projects and noted a balance of \$3,727,211.

3B. Projects update. (staff)

Mr. Hoppe gave the following updates:

Kerrville Sports Complex:

- Samples of the soccer RZM was sent to the labs for analysis. Soil conditioning protocol was being developed for the RZM and top soils that were to be seeded, which would proceed upon approval by the City Council.
- Disturbed construction areas on the soccer side were being hydro seeded, with completion expected by next week.
- All major grading or infill was completed. Fine grading was proceeding.
- All sports lighting was installed, with permanent power on the maintenance building completed.
- Sewer and storm water inspection videos were planned.
- Completion of all buildings was expected within 30 days.

River Trail:

- Land acquisition and easements were being finalized for the River Trail going west. City staff was drafting a design/engineering contract scope, and a construction project was scheduled for bid in the summer.

Reuse Distribution Lines:

- Contracts for reuse water service for Riverhill Country Club and Schreiner University were approved by City Council at the 4-11-17 meeting.

Streetscape Project:

This update was deferred to the presentation by Peter Lewis.

Tennis Center Improvements:

- Construction was anticipated to begin as early as fall.

4. CONSIDERATION AND POSSIBLE ACTION:

4A. Presentation by Peter Lewis Architects regarding Downtown Streetscape project. Mr. Lewis gave a presentation regarding the options to improve the downtown area, particularly the parking garage.

Mr. Early moved for the EIC to go into executive closed session under Sections 551.071 and 551.087 of the Texas Government Code; motion was seconded by Ms. Summerlin and passed 5-0 to discuss the following matters:

Section 551.071 and 551.087:

Economic Development Grant Agreement between Fox Tank Co., Inc. and the City of Kerrville Economic Improvement Corporation.

5. EXECUTIVE SESSION:

The EIC adjourned the open session at 4:45 p.m., and convened in closed executive session at 4:45 p.m.

At 5:15 p.m. the EIC reconvened in open session. Ms. Patillo announced that no action had been taken in Executive Session.

6. POSSIBLE ACTION FOR ITEMS DISCUSSED IN EXECUTIVE SESSION:

None

7. ITEMS FOR FUTURE AGENDAS: None

8. ANNOUNCEMENTS: None

9. ADJOURNMENT.

Ms. Pattillo adjourned the meeting at 5:16 p.m.

APPROVED: _____

Sheri Pattillo, Vice-President

ATTEST:

Cheryl Brown , Deputy City Secretary

Agenda Item:

3A. Report from Bryan O'Connor, Kerrville Economic Development Corporation.
(staff)

Agenda Item:

4A. Monthly financials for April 2017. (staff)

**TO BE CONSIDERED BY THE EIC
CITY OF KERRVILLE, TEXAS**

SUBJECT: EIC Financials ending April 30, 2017

FOR AGENDA OF: May 15, 2017 DATE SUBMITTED: May 1, 2017

SUBMITTED BY: Sandra G. Yarbrough
Director of Finance **CLEARANCES:** EA Hoppe
Deputy City Manager

EXHIBITS: Monthly Financials

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER:

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$	\$	\$	

PAYMENT TO BE MADE TO:

REVIEWED BY THE DIRECTOR OR FINANCE:

SUMMARY STATEMENT

Kerrville Economic Improvement Corporation operating fund received sales tax revenue in the amount of \$240,783 for April 2017 a 1.41% increase compared to same period in prior year in the amount of \$237,432 Interest earned was \$1,096. The capital projects fund had no income or expense activity for April.

River Trail project had \$178,813 expense bringing the remaining project balance available to \$796,033.

Establishment of a separate bank depository for Kerrville Economic Improvement Corporation is on-going due to banking requirements and regulations. It is anticipated this will be completed in May.

RECOMMENDED ACTION

Report is for information only.

CITY OF KERRVILLE
Economic Improvement Corporation
Sales Tax Improvement Fund - Summary
For the month ending April 30, 2017

Beginning Cash Balance	\$2,451,826
Income:	
Sales Tax	\$ 240,783
Interest Revenue	\$ 1,096
Total Income	<u>\$ 241,879</u>
Expenses:	
Administrative Service Fee	\$ 8,333
Transfer for Debt Service	\$ 92,878
Total Expenses	<u>\$ 101,211</u>
Revenues Over (Under) Expenditures	<u>\$ 140,668</u>
Ending Cash Balance	<u>\$2,592,494</u>

CITY OF KERRVILLE
Economic Improvement Corporation
Sales Tax Improvement Fund - Revenue and Expense Statement
For the month ending April 30, 2017

	Annual Budget	Current Period	Y-T-D Actual	% of Budget	Budget Balance
BEGINNING CASH BALANCE	\$ 3,789,843		\$ 3,789,843		
REVENUE:					
Sales and Use Tax	\$ 3,302,505	\$ 240,783	\$ 1,924,453	58.27%	\$ 1,378,052
Interest	\$ 5,000	\$ 1,096	\$ 15,198	303.95%	\$ (10,198)
Transfer In			\$ 1,000		\$ (1,000)
TOTAL REVENUE	\$ 3,307,505	\$ 241,879	\$ 1,940,651	58.67%	\$ 1,367,854
EXPENDITURES:					
Administrative					
Local Meetings	\$ 500		\$ 20	4.00%	\$ 480
Administrative Services Fee	\$ 100,000	\$ 8,333	\$ 58,333	58.33%	\$ 41,667
Economic Development Governing Body	\$ 180,000		\$ 180,000	100.00%	\$ -
Debt Service - River Trail - Series 2011A	\$ 258,456	\$ 21,580	\$ 150,558	58.25%	\$ 107,898
Debt Service - River Trail - Series 2012	\$ 252,863	\$ 21,053	\$ 147,368	58.28%	\$ 105,496
Debt Service - Athlex Complex - Series 2015	\$ 603,417	\$ 50,246	\$ 351,721	58.29%	\$ 251,696
Total Administrative	\$ 1,395,236	\$ 101,211	\$ 887,999	63.65%	\$ 507,237
Category I - Business Development					
ED Set Aside	\$ 500,000			0.00%	\$ 500,000
Total Category I	\$ 500,000	\$ -	\$ -	0.00%	\$ 500,000
Category II - Quality of Life					
Tennis Center	\$ 750,000	\$ -	\$ 750,000	100.00%	\$ -
Downtown Streetscape Enhancements:	\$ -			\$ -	
Water Feature	\$ 250,000	\$ -	\$ -	0.00%	\$ 250,000
Total Category II	\$ 1,000,000	\$ -	\$ 750,000	75.00%	\$ 250,000
Category III - Public Infrastructure					
Housing	\$ 500,000	\$ -	\$ -	0.00%	\$ 500,000
Reuse Distribution Lines	\$ 1,500,000	\$ -	\$ 1,500,000	0.00%	\$ -
Total Category III	\$ 2,000,000	\$ -	\$ 1,500,000	0.00%	\$ 500,000
Contingency					
	\$ -	\$ -	\$ -	0.00%	\$ -
	\$ -	\$ -	\$ -	\$ -	
TOTAL EXPENDITURES	\$ 4,895,236	\$ 101,211	\$ 3,137,999	64.10%	\$ 1,757,237
NET REVENUES TO EXPENDITURES	\$ (1,587,730)	\$ 140,668	\$ (1,197,349)		
ENDING CASH BALANCE	Budget \$ 2,202,112			Actual \$ 2,592,494	

CITY OF KERRVILLE
Economic Improvement Corporation
Sales Tax Revenue Analysis - FY16
For the month ending April 30, 2017

Revenue Month	Actual FY 2014	Actual FY 2015	Actual FY 2016	Budgeted FY 2017	Actual FY 2017	FY2016 vs FY2017	Budget vs Actual
October	\$ 241,503	\$ 238,933	\$ 227,707	\$ 254,113	\$ 264,806	16.29%	4.21%
November	\$ 234,150	\$ 257,654	\$ 277,653	\$ 274,020	\$ 278,707	0.38%	1.71%
December	\$ 214,424	\$ 251,851	\$ 254,834	\$ 267,847	\$ 260,757	2.32%	-2.65%
January	\$ 229,761	\$ 245,845	\$ 255,848	\$ 265,475	\$ 273,741	6.99%	3.11%
February	\$ 296,036	\$ 335,071	\$ 347,778	\$ 356,342	\$ 357,098	2.68%	0.21%
March	\$ 207,869	\$ 223,251	\$ 223,790	\$ 237,433	\$ 248,560	11.07%	4.69%
April	\$ 218,030	\$ 227,065	\$ 237,432	\$ 241,464	\$ 240,783	1.41%	-0.28%
May	\$ 268,682	\$ 273,281	\$ 307,046			#DIV/0!	
June	\$ 267,530	\$ 255,511	\$ 243,070			#DIV/0!	
July	\$ 222,961	\$ 238,328	\$ 249,278			#DIV/0!	
August	\$ 266,321	\$ 297,274	\$ 290,011			#DIV/0!	
September	\$ 238,926	\$ 256,246	\$ 259,227			#DIV/0!	
YTD Total	\$ 2,906,194	\$ 3,100,310	\$ 3,173,673	\$ 1,896,694	\$ 1,924,453	6.02%	1.46%

CITY OF KERRVILLE
Economic Improvement Corporation
Capital Projects Fund - Summary
For the month ending April 30, 2017

Beginning Cash Balance	\$ 3,727,211
 Income:	
Total Income:	\$ -
 Expenses:	
Transfer out	\$ -
Total Expenses:	\$ -
 Revenues Over (Under) Expenditures	 \$ -
 Ending Cash Balance	 <u>\$ 3,727,211</u>

CITY OF KERRVILLE
Economic Improvement Corporation
Project Status Summary
For the month ending April 30, 2017

Fiscal Years	Projects	Agreement Commitment	EIC Funded To Date	Total Cash Funded	Expenses to Date	Project Cash Balance
2012-13	Downtown Streetscape	\$ 35,100	\$ 35,100	\$ 35,100	\$ 34,609	\$ 491
2014-15	ED Set Aside	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000		\$ 1,000,000
2015-16	Olympic Pool	\$ 100,000	\$ 100,000	\$ 100,000		\$ 100,000
2015-16	Parking Garage	\$ 160,000	\$ 160,000	\$ 160,000	\$ 3,281	\$ 156,719
2015-16	Planter Boxes	\$ 20,000	\$ 20,000	\$ 20,000		\$ 20,000
2015-16	Street Furniture	\$ 100,000	\$ 100,000	\$ 100,000		\$ 100,000
2015-16	Housing	\$ 100,000	\$ 100,000	\$ 100,000		\$ 100,000
2016-17	Tennis Center	\$ 1,500,000	\$ 750,000	\$ 750,000		\$ 750,000
2016-17	Distribution Lines	\$ 3,000,000	\$ 1,500,000	\$ 1,500,000		\$ 1,500,000
TOTALS		\$ 8,710,100	\$ 3,480,100	\$ 3,742,574	\$ 2,652,567	\$ 3,727,211

Cash Balance on 4/30/2017 \$ 3,727,211

General Capital Improvement Projects - supported by EIC

Fiscal Years	Projects	Agreement Commitment	Total Funded	Expense To Date	Balance
2011-12	River Trail	\$ 6,000,000	\$ 6,000,000	\$ 5,203,967	\$ 796,033
2011-12	Louise Hays/Lehmann Monroe parks	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000	\$ (0)
	Funding Agreement - C2011-76 Totals	\$ 8,600,000	\$ 8,600,000	\$ 7,803,966	\$ 796,033

Notes:

6/24/14 - Project adjustments - \$600,000.00 moved from River Trail project to Louise Hays/Lehman Monroe park improvements per EIC and City Council meetings - additional funding to replenish River Trail project to be requested by city staff from EIC at future EIC meeting.

9/22/14 - Project replenished - \$600,000.00 approved at EIC meeting related to Louise Hays/Lehman Monroe park improvements (see note above) reported on 9/30/14 financial report at October 2014 meeting.

Cash and Investments
For the month ending April 30, 2017

Cash and Investment Balances by Fund

<u>City G/L</u>	<u>Fund Name</u>	<u>Balance</u>	<u>Period</u>
Fund 40	Sales Tax Improvement Fund (operating fund)	\$ 2,592,494	4/30/2017
Fund 75	EIC Projects Fund (capital projects fund)	\$ 3,727,211	4/30/2017
Total Cash and Investments		\$ 6,319,705	4/30/2017

Cash and Investments by Type - Placement - Amount

<u>Type</u>	<u>Investment Placement</u>	<u>Amount</u>	<u>Interest Earned</u>	<u>Interest Earned (Annualized)</u>	<u>Period Ending</u>
Cash	Wells Fargo Checking	\$ 2,804,684	\$ -	0.00%	4/30/2017
ST Investment	EIC TexPool	\$ 1,273,715	\$ 1,095.96	1.03%	4/30/2017
ST Investment	Ebury Finance - Comm Paper	\$ 1,991,306			4/30/2017
Texas Hill Co Bank	CD	\$ 250,000	\$ -	1.05%	4/30/2017
Total Cash and Investments		\$ 6,319,705	\$ 1,095.96	0.21%	4/30/2017

Agenda Item:

4B. Projects update: (staff)

River Trail

Kerrville Sports Complex.

Reuse Distribution Lines

Tennis Center Improvements

Downtown Streetscape

Agenda Item:

5A. Economic Development Grant Agreement between Fox Tank Company, Inc. and the City of Kerrville, Texas Economic Improvement Corporation.



Oilfield Storage Tanks – Heaters – Separators

May 10, 2017

Mr. Gary Cochran, President
Economic Improvement Corporation
701 Main Street
Kerrville, TX 78028

Dear Mr. Cochran:

Please find enclosed the completed Voluntary Annexation Checklist & Petition for annexing the remainder of my property into the Kerrville city limits. Please let me know if I am missing anything that needs to accompany the petition.

My son Andrew and I opened a South Texas division of our family business in Comfort back in 2010 eventually relocating to Kerrville into our new facility in 2012. We invested over \$3 million in that facility along HWY 27 and continue to lease a second facility from Bateman Manufacturing on Airport Commerce Parkway. Our business flourished from 2011 through 2014 until oil prices crashed in November of that year. The oil industry went into a tailspin in 2015 and 2016 and our business dropped off close to sixty percent. We had no choice but to layoff many of our then 100+ employees in both Kerrville and our Albany location in order to survive those difficult times. At the end of October 2016, I was able to buyout my father and sister's ownership in Fox Tank Company, and I took over as President/CEO at that time. Almost immediately thereafter, our business began to take off again, and we are now on pace to set a record for annual gross sales in 2017. We are running almost six weeks behind in keeping up with demand for our products and have begun hiring new employees at a very rapid pace. As of today, we have 97 total employees and expect to surpass 100 by early fall.

My office staff turned in employment numbers for 12/31/16 showing that we had 84 employees, six (6) shy of the total required. Upon further examination, we discovered that individuals that work as commissioned employees were left off of that count. There are a total of five (5) of these individuals in one location and three (3) others in a second. By including these people that depend entirely on their livelihoods from Fox Tank Company, our employee total was actually 92. It turns out that the numbers that were submitted for 12/31/15 were also inaccurate and left off several of my full-time employees and the ones that work full-time for Fox Tank Company alone. In making this adjustment, Fox Tank Company has determined that its highest employment levels during the 2015 calendar year reached 102 employees at all of our facilities. Of this total, at least 75 were part of the Kerrville project. The spreadsheets detailing these employment numbers are on file in our office.

I now have the ability to decide which of our manufactured products are built at which plants. I have plans to move certain types of these products from my Albany plant to Kerrville in order for Kerrville and Kerr County to realize the benefits of the sales tax collected on those particular items. For example, I currently have agreements about to close with two separate oil companies that will generate over \$5m in new taxable sales in the third and fourth quarters of 2017. These sales should generate over \$400,000

in total sales tax revenue. If I decide to build these products in Kerrville, it is my understanding that the city, county and Kerrville Economic Development would be entitled to approximately \$100,000 of those funds. I have already invested over \$250,000 in new equipment thus far this year and plan on investing more than twice that amount throughout the rest of this year. Our consistently high quality products, competitive prices and unmatched customer service has enabled us to secure several multimillion dollar contracts with several big oil companies, and those companies have assured us that their drilling schedules are planned through the end of 2018. These commitments along with the fact that many of our loyal, smaller customers are getting active again makes for a very optimistic outlook for my business over the next two years. We are currently spending close to \$100,000 per week in payroll. As you are aware, a large portion of this \$5 million plus amount of money is spent several times over within the local communities of Kerrville and Albany thereby generating hundreds of thousands of dollars in additional tax revenues.

From the beginning of this project, Fox Tank has consistently questioned the different structures of the incentives and penalties offered in the two grant agreements. The original agreement offered a \$10,000 grant per each new employee with a \$1,000 penalty for failure to achieve the requisite employment levels. The subsequent grant agreement offered a \$5,000 grant per new employee while maintaining the same \$1,000 penalty. The second agreement was for the heater treater/pressure vessel manufacturing division of Fox Tank which has traditionally felt the fluctuations within the oil and gas industry the most. Consequently, these jobs have been the first to be eliminated or remain unfilled despite their stronger skill set and higher wage rates compared to the steel tank construction division.

In the spirit of fairness, my family and I would be willing to agree to a penalty of \$500 per job for the 15 total jobs that disappeared in 2015 due to the drop in the industry for a total reimbursement of \$7,500 in order to settle this and move forward in good order. I would ask that you allow us to until December 31, 2017 to remedy this penalty. Furthermore, I would request that the language of the Grant Agreement be modified to clarify any ambiguity by including the following:

- Allow Fox Tank to report the highest employment number during any given calendar year when determining whether Fox Tank has met its employment obligation
- Allow Fox Tank to include in its employment total all sales personnel on the Fox Tank payroll and contract labor employees that depend entirely on Fox Tank for their income that represent the business interests of the Kerrville Project
- Change the penalty on the second Agreement to equal the amount per employee (\$500) that was awarded from the beginning

Fox Tank Company appreciates the EIC Board's consideration and support toward ensuring Fox Tank's future contributions to the City of Kerrville and Kerr County. Upon a clearer understanding of the expectations, Fox Tank Company is confident that future conflicts might be avoided.

Thank you,



R. Nathan Fox
President/CEO

cc: Mr. Mark McDaniel, City Manager
Mr. E. A. Hoppe, Deputy City Manager