

SPECIAL MEETING
MARCH 29, 2011

The Special Meeting of the City Commission was called to order at 5:30 pm in the Commission Chambers by Mayor Jeff Bearden, and a quorum was declared present.

Present: Mayor Jeff Bearden

Commissioners: Jimmy Dennis, Russell Brownlow, Travis Taylor and Phil McCuiston

Staff Present: City Manager Mitch Grant, City Attorney Trish C. Byars, Police Chief Tom Wilson, and City Secretary Linda Byers.

Mayor Bearden led the group in the pledges to the U.S. and Texas flags and the invocation.

Business Development Director/CEO Sean Stockard informed the Commission concerning Project Plenty, a vertical axis, mid-size wind turbine manufacturer, a Texas based company headquartered in Plano with their current manufacturing operations in Clovis, N.M.. The BDC has been in negotiations with them to relocate their manufacturing operations to Vernon. They have offered a recruitment package to this company outlining what the BDC and the community could offer.

The first offer is a cash incentive of \$1.5 million, which would be used for salary, wages and worker training, equipment, inventory, and infrastructure. The second item was possible tax abatements from the various taxing entities.

With the commission approval, the BDC will offer a \$1.5 million cash incentive to Abundant Energy through a Texas Leverage Fund Loan similar to the loan offered to Tangerie Alternative Power. The interest rate is not set until application is made, but is expected to be about 4.5%. The interest payment, on average, over fifteen years would be \$11,500.

In the next forty-eight (48) months, Abundant Energy will be required to make a commitment of 100 jobs for Vernon and Wilbarger County. Abundant Energy will be required to make a ten year commitment. This equates to a cost per job of \$15,000 invested per job created, with an annual payroll of over \$3.1 million, with an average wage rate of \$15 per hour. Abundant Energy will pay a monthly lease to the BDC of \$5,000 for use of the building formerly occupied by Agriboard. This rate would be adjusted for inflation. This equates to a return on investment of \$2 for every \$1 invested.

The Business Development Corporation is impressed with the management team of Abundant Energy.

The BDC understands that this is a huge undertaking. This will leverage their funding for the next fifteen years. They are asking to leverage the BDC's sales tax income for the next fifteen years. It will refocus their direction. The BDC will no longer actively pursue industrial recruitment, but will focus more on small business development and business retention and expansion in the community. It won't limit the organization by taking on this debt, but it will pull back on some of the administrative costs. Mr. Stockard is asking the Commission for the Resolution that is required by law to allow them to enforce this agreement.

Commissioner McCuiston questioned the fact that both of the industries that the BDC has made agreements with are wind turbine industries, and asked if this would be a problem. Mr. Stockard viewed this as a benefit because when you have a cluster of several industries of the same type in an area it tends to draw people who are looking for employment in those areas. Wind energy is a growth industry. While they are both vertical access wind turbine manufacturers, they are two different types. Tangerie is a small size wind turbine manufacturer geared more toward residential customers, while Abundant Energy is a mid-size wind turbine manufacturing company that focuses more on industry. They are similar, but different enough that they will complement one another in both technology and employment.

Commissioner Dennis questioned the employment numbers, and how many units have been manufactured and sold. There was discussion about employment numbers. Commissioner McCuiston asked what kind of collateral would be offered by Abundant Energy. Mr. Stockard said that they would offer their equipment in the same way that Tangerie did. Abundant Energy will sign a promissory note and enter into a performance and loan agreement. BDC will take collateral on inventory, machinery, accounts receivable, and on copyrights if available.

RESOLUTION #915

APPROVING A LOAN AGREEMENT BETWEEN THE VERNON BUSINESS DEVELOPMENT CORPORATION AND THE OFFICE OF THE GOVERNOR ECONOMIC DEVELOPMENT AND TOURISM DIVISION AND RELATED DOCUMENTS, AUTHORIZING THE EXECUTION AND DELIVERY OF THE LOAN AGREEMENT, AND OTHER MATTERS IN CONNECTION THEREWITH

Commissioner Taylor made the motion to approve Resolution No. 915 approving the loan agreement between the Business Development Corporation and the Office of the Governor Economic Development and Tourism and related documents, Authorizing the execution and delivery of the loan agreement and other matters in connection therewith.

Commissioner Dennis seconded the motion, which passed by unanimous vote.

TAX ABATEMENT POLICY AND INCENTIVE POLICY FOR ABUNDANT ENERGY

City Manager Grant explained the need for a policy statement and guidelines for tax abatement. A tax abatement needs to be offered as an incentive to relocate here, not as a reward.

The request from the BDC on behalf of Abundant Energy is ten (10) year graduated tax abatement on business personal property (inventory and equipment). Abundant Energy estimates no more than \$500,000 in business personal property. BDC will be required to pay taxes on the building, and this cost will be built into their lease.

There was discussion concerning five (5) year and/or ten (10) year abatements, and the different provisions and policies. Whatever guidelines are set, the Commission must approve each tax abatement, each time one is offered.

Mr. Grant explained that it is the City's duty to set guidelines and sit as an abatement committee for and with other entities. This committee would be composed of the mayor, the city manager and a representative of each of the other taxing jurisdictions effected.

Commissioner Dennis made the motion to approve a tax abatement policy with a 10 year abatement schedule.

Commissioner McCuiston seconded the motion, which passed by unanimous vote.

Commissioner McCuiston made the motion to approve the recommended incentive offer for Abundant Energy LLC.

Commissioner Taylor seconded the motion.

There was discussion concerning the 10 year schedule for Abundant Energy LLC. They agreed to delegate to Mitch to pro-rate the tax abatement and make it based on qualifying jobs. Mr. Grant also wanted it to be contingent upon proper paperwork and application for tax abatement.

There was discussion on the tax abatement contract and delegation of authority to Mr. Grant, with the schedule set by Mr. Grant.

Following this discussion, the motion was approved.

ADJOURN

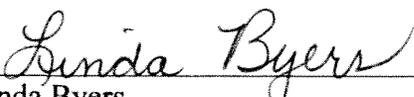
Commissioner McCuistion made the motion to adjourn the meeting at 6:21 p.m.

Commissioner Taylor seconded the motion, which passed by unanimous vote.



Jeff Bearden
Mayor

ATTEST:



Linda Byers
City Secretary