

ECONOMIC IMPACT REPORT

Economic Development Activities 1994-2003

Prepared for

PONCA CITY DEVELOPMENT AUTHORITY (PCDA)

By

Mark C. Snead, Ph.D.
Research Economist
Oklahoma State Econometric Model
College of Business Administration
Oklahoma State University
Stillwater, OK 74078
Phone: (405) 744-7405
E-Mail: econmcs@okstate.edu

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SUMMARY OF FINDINGS

- The following summary highlights the economic impact of the development activities of PCDA on the local economy since 1994.

Since 1994, the Development Authority has engaged in an organized effort to stimulate job growth in the local economy.

- In 1994, the Development Authority initiated a voter-approved 10-year, ½ cent increase in the sales and use tax to fund City economic development efforts.
- The City has since offered large incentive packages to two employers and smaller incentives to more than one dozen firms.
- The incentives are in the form of cash job credits, job credits toward land purchases and lease agreements, assistance with financing arrangements, infrastructure improvements, and construction assistance.
- PCDA successfully attracted six new firms from outside the City, assisted eight existing firms within the City, and provided assistance to two local startup companies.

The economic development efforts have created a large number of new jobs in Ponca City.

- Approximately 1,050 new jobs have been attracted to the local economy since the start of the economic development effort.
- The new jobs produce more than \$20 million in annual wages.
- Newly attracted jobs pay an average annual wage of \$19,100.

Newly attracted industry continues to have a significant economic impact on the local economy.

- Newly created jobs have contributed more than \$160 million in wages to the local economy since 1995.
- The new jobs represent approximately 9 percent of total City employment in the 1995 to 2003 period.

- Through economic multiplier effects, newly attracted jobs support an estimated 1,068 existing City jobs with payroll of \$19.1 million.
- Each new job created supports approximately one existing City job, while each dollar of new wages supports approximately 95 cents in wages for existing City workers.
- The construction impact of three large manufacturing facilities has generated an estimated \$11.8 million in local wages.
- Substantial benefits will continue to accrue in future years from the continued operations of newly attracted firms.

A general accounting of all sources and uses of economic development funds was conducted and used to prepare a cost-benefit analysis of development activities since 1994.

- Economic development funding from all sources is estimated to be \$25.6 million.
- Funding sources include the dedicated sales tax (61.1 percent), City funding (19.1 percent), grant funding (14.7 percent), and interest and lease income (5.2 percent).
- Expenditures for all projects currently underway total an estimated \$22.25 million over the life of the projects.
- Expenditures net of grant funding total \$18.48 million, or \$17,650 for each of the 1,047 direct new jobs created.

The dedicated sales and use tax has provided a reliable funding stream for economic development since 1994.

- The dedicated tax is expected to generate \$15.6 million over its 10-year life.
- Tourists and other non-residents pay approximately \$3.3 million, or 22%, of the sales tax proceeds.
- Each existing City resident will pay approximately \$40 per year in added sales taxes over the 10-year life of the tax.

Other Findings

- The economic impacts are understated by the expected future impacts from firms that have received incentives but have not yet started operations.
- Nearly all of the direct financial obligations to firms receiving incentives have been met.

- City funding of \$4.88 million to assist in the development effort was fully recovered by 2000 through added sales tax revenue and City utility user fees.
- Newly attracted firms have paid more than \$10 million in utility user fees since 1995.
- Approximately \$3.8 million in infrastructure and utility system improvements were funded through federal and state grants.
- The economic development efforts are having no material financial impact on other areas of City services.

PONCA CITY DEVELOPMENT AUTHORITY (PCDA)
Economic Development Activities
1994-2003

The following study assesses the overall impact of the economic development efforts of the Ponca City Development Authority (PCDA) on the Ponca City and Kay County economies since 1994. The report further serves as an update to an earlier study of activities in the 1994 to 1998 period, and is part of an ongoing effort to use economic analysis to evaluate City-sponsored economic development projects.

The first section of the study provides an overview of the economic development initiative underway in the City since 1994, including a description of each of the economic development projects undertaken by the Development Authority. The third section presents a general accounting of all expenditures and funding sources related to economic development. The next section provides an estimate of the overall economic impact of newly attracted industry. Finally, a cost-benefit analysis is prepared that evaluates the realized economic impact of new firms attracted to the community relative to the costs of the economic development effort.

CITY ECONOMIC DEVELOPMENT ACTIVITIES (1994-2003)

The economic development efforts in Ponca City the past decade began in the early 1990s in response to several economic shocks to the local economy. The most significant of the shocks occurred in 1993 as Ponca City's largest employer significantly reduced its presence in the local community, resulting in a prolonged economic slowdown at the city and county levels. The contraction in the local economy prompted the Ponca City Development Authority (PCDA) to expand its efforts to attract new industry to the area.

Dedicated Economic Development Sales and Use Tax

In January 1994, City voters approved a PCDA-sponsored request for a ten-year, 1/2-cent increase in the local sales and use tax, earmarking the additional tax revenue to fund efforts to attract new industry to the area and to assist existing industry to expand. The rate increase went into effect February 1994 and is expected to generate more than \$16 million for use in providing incentives for firms to locate or expand in Ponca City.

Since 1994, the dedicated economic development sales and use tax has served as the primary funding mechanism for local economic development initiatives. The tax expires January 31, 2004 and is currently producing approximately \$1.7 million annually in economic development funds through a combination of tax collections and interest earnings.

Tax collections continue to exceed original projections, increasing at a 3.1 percent annual rate in the January 1995 to December 2002 period (2.5 percent CPI inflation rate in the same period). Actual tax receipts and interest earnings through March 2003, along with estimated collections through March 2004, are shown below in Table 1.

Table 1. Sales & Use Tax Collections and Interest Earnings

Year	Sales	Use	Sales & Use Tax	Interest	Total
1994	\$931,889	\$38,870	\$970,759	\$25,264	\$996,023
1995	1,338,222	74,083	1,412,305	35,975	1,448,280
1996	1,372,070	61,937	1,434,007	47,516	1,481,523
1997	1,404,928	63,452	1,468,380	62,344	1,530,724
1998	1,510,799	86,352	1,597,151	84,768	1,681,919
1999	1,467,869	88,855	1,556,724	92,929	1,649,653
2000	1,514,473	82,112	1,596,585	87,424	1,684,009
2001	1,675,845	64,878	1,740,723	96,833	1,837,556
2002	1,681,202	71,036	1,752,238	27,960	1,780,198
e2003	1,630,766	68,905	1,699,671	13,987	1,713,658
e2004	385,335	16,282	401,617	5,960	407,577
Total	\$14,913,398	\$716,762	\$15,630,160	\$580,960	\$16,211,120

Ponca City's role as the retail hub of north central Oklahoma has served to make sales and use tax receipts a stable source of funding for City economic development initiatives. The Ponca City retail sector provides the equivalent in taxable goods and services necessary to serve an estimated 6,000 persons living outside the City limits.

Firms Receiving Incentives

As of June 2003, the Development Authority has provided large incentive packages to two major employers and smaller incentives to more than one dozen firms. The incentives include cash job credits, job credits toward land purchases and lease agreements, assistance with financing arrangements, and infrastructure improvements. The largest incentives are in the form of cash assistance and accrued to two large employers, each anticipating the creation of more than 500 jobs.

A brief narrative of each of the projects undertaken, a description of any incentives provided, and a summary of the results of each project to date follow.

1. Thorn Apple Valley / Tyson - meat processing

In 1995, Thorn Apple Valley (TAV) received the initial City incentive offering funded through the dedicated economic development tax. TAV planned to construct a modern, large-scale food processing facility in the City. The incentive package included a \$6.5 million cash job credit and a \$250,000, 42-acre tract in the Airport Industrial Park. The size of the incentive package reflects the significant long-term economic impact expected from the introduction of a modern food processing facility of this size into the local economy.

TAV anticipated the creation of 650 new jobs - 100 jobs in 1995, 300 jobs in 1996, 150 jobs in 1997, and 100 jobs in 1998. The job credit is based on average employment of 433 full-time equivalent workers each year for the ten years beginning March 1996. If the hiring objective is not met, the cash incentives are to be repaid in proportion to the shortfall in actual hiring. Production wages were expected to average

\$8 per hour plus comprehensive benefits. Operations at the processing plant were also expected to generate a significant stream of user income to the City's power, water, and wastewater utilities, as well as substantial ongoing purchases from local suppliers and merchants.

The original funding for the incentive package is a 10-year, \$5.8 million City Development Authority bond issue slated to be repaid through economic development sales and use tax receipts. The bond issue comprised nine staggered individual issues with an initial weighted interest rate of 6.5 percent with the final issue maturing October 2004. A \$580,000 interest-bearing secured reserve account accompanied the loan.

The Development Authority acquired a 137-acre tract (Zimmerman site) adjoining the west side of the Industrial Park for approximately \$330,000 as a site for the plant. TAV received 42 acres of the tract, with the balance of the property retained by the Authority to accommodate future development projects. The land purchase involved a \$147,000 cash payment and a 4-year, 7.5 percent promissory note for the balance. Capital improvements were necessary in the Industrial Park to accommodate the plant's water, wastewater, and power requirements, as well as to provide adequate surface street access. Federal and State industrial development grants offset a large portion of the cost of the Park improvements.

Processing operations commenced in October 1995 with plant construction expenditures totaling \$52 million. Employment at the plant averaged 200 jobs in the startup year of 1995, and averaged 485 jobs in the 1996 to 2002 period. The plant currently employs approximately 500 production workers with average production wages of nearly \$10/hour. Total annual payroll averaged \$9.8 million in the 1996 to 2002 period, with current annual payroll at the facility of \$13.3 million.

The hiring levels at the facility have satisfied the requirements of the job credit agreement, which expires in less than three years (February 2006). The remaining balance on the original bond issue was refinanced for a two-year period in October 2001 to take advantage of lower interest rates and will be paid in full in October 2003. The note for the purchase of land in the Industrial Park has been paid in full.

The processing plant has since changed ownership with IBP purchasing the plant from TAV in 1999, and Tyson Foods acquiring IBP in 2001. Tyson continues to be the City's largest utility customer, remitting more than \$10.6 million in power, water, wastewater, and solid waste user fees since commencing operations, and averaging nearly \$1.5 million annually since 1996. Taxable purchases from local vendors, merchants, and contractors have averaged \$500,000 annually since 1996.

2. Sykes Enterprises - outsource customer management solutions

In 1995, Sykes received the second major incentive package funded by the economic development sales tax. The local incentive package consists of a \$1.5 million cash incentive and a 6-acre section of a newly acquired \$30,000, 10-acre tract (Westminister site) west of the Airport. Sykes anticipated the creation of 500-600 new customer support jobs with an annual payroll of approximately \$6.5 million. The cash payment was used to offset a portion of the construction costs for a 42,000 square foot state-of-the-art facility costing more than \$5 million. No major capital improvements beyond street access and basic utility connections were required in the Park to accommodate the structure, with grants covering a large portion of the cost.

The incentive package is funded through a 7-year, \$2 million bank note to be repaid with economic development sales and use tax receipts. The note proceeds were used to finance both the Sykes and Unitherm incentive agreements (discussed below). The note carried a maturity date of May 2002 and a variable interest rate of prime rate minus 1/2 percent, not to exceed 11 percent. The initial interest rate on the note was 9 percent, and a \$200,000 interest-bearing secured reserve account accompanied the loan.

In October 1995, Sykes completed construction of the building in the Industrial Park and began operations. Employment was 250 jobs in the startup year of 1995, and has averaged 485 jobs with payroll averaging \$7.9 million annually in the 1996 to 2002 period. Sykes has paid City utility user fees of approximately \$88,000 annually, and taxable purchases from local vendors and merchants have averaged \$200,000 per year. In January 1999, the loan used to fund the incentive agreement was refinanced for a term of three years and the reserve account was returned to the PCDA operating account. The note was paid in full in January 2002.

3. Unitherm - manufacturer of specialty food processing equipment

Unitherm received incentives in the form of job credits toward the lease/purchase of land and a building in the Industrial Park. The City Development Authority acquired the property for \$350,000 and performed building improvements totaling \$100,000. The lease agreement is based on Unitherm employing an average of 70 full-time equivalent workers annually beginning March 1998. In the event the hiring target is not met, cash lease payments are required in proportion to the shortfall in actual hiring. The incentive packaged is financed as a component of the 7-year, \$2 million bank note described above in the Sykes agreement. The note proceeds were used to compensate the City for the \$350,000 cost of acquiring the property.

Unitherm occupied the facility in April 1995, averaging 18 full-time employees in the startup year. Actual employment averaged 26 workers with an annual payroll of \$825,000 in the 1996 to 2000 period, but did not reach the level specified in the lease agreement. Because of the hiring shortfall, Unitherm made rentals payments to the City totaling \$46,740 in 2000 and early 2001. Utility user fees paid by the firm averaged \$22,000 annually in the period of operation. Unitherm ceased operations in June 2001 and returned custody of the building to the City. The building was subsequently sold in early 2002 to Mid America Door for \$300,000. Costs related to the sale for an environmental study and cleanup totaled \$30,000.

4. Encompass Mold - molds, tooling, and services for the plastic industry

Encompass acquired a manufacturing site West of the City and commenced operations in March 1995. The City pledged a 133-acre tract of land known as the 'Whirlpool Site' as collateral for a line of credit that was paid in full in February 1999. Encompass employed 25-30 workers annually with an average annual payroll of \$783,000 in the 1995 to 1998 period, and has employed an average of 40 workers with annual payroll of more than \$1 million since 1999.

5. USA Bottling - specialty beverage bottling

USA received a job credit of 4 percent of annual payroll toward the purchase of a \$45,000, 3-acre tract in the Industrial Park, with an option to buy 2 additional acres at \$30,000 (subject to the same job credit provisions). USA constructed a 5,600 square foot building and began operations in July 1997.

Street improvements in the Industrial Park were necessary in order to provide adequate access to the structure, with a State of Oklahoma block grant covering the costs of the construction.

USA maintained bottling operations for approximately four years but ceased operations in 2001. The job credit earned toward purchase of the building totaled \$17,275. USA subsequently sold the building to Residential Copper (discussed below) who assumed the remaining balance on the note secured by the land and held by the City. USA employed as many as 18 workers, with wages over the period of operation totaling more than \$430,000.

6. Centerline - precision spindle manufacturing

Centerline expanded its existing operations in Ponca City and received a job credit equal to 4 percent of annual payroll toward the purchase of an \$18,000, 3.6-acre tract in the Industrial Park. A new manufacturing facility was constructed at the site, with operations commencing May 1997. The firm employs precision machinists, with wages for experienced workers reaching \$20/hour. Centerline is an export industry with 95 percent of the firm's output sold outside of Oklahoma. Employment has doubled from 10 to 20 workers since the expansion, with annual payroll of more than \$700,000 in 2002. The job credit agreement toward the purchase of the land has been fulfilled. The City also entered a link deposit incentive agreement for a \$120,000 loan on behalf of Centerline in 2000. The cost of the incentive is a 2 percent reduction in the interest rate received on City deposits.

7. D&M Distribution - logistics and distribution specialists

In 1998, D&M planned to construct a distribution warehouse in the Industrial Park and hire 20-22 employees with an average annual payroll of \$400,000-450,000/year. City-provided incentives are in the form of a job credit equal to 4 percent of annual payroll toward the purchase of 6 acres in the Industrial Park valued at \$17,000/acre. Street improvements totaling \$163,120 were completed, with a grant covering much of the cost. Construction of a \$1.5 million, 70,000-square-foot warehouse facility was completed in late 1998. D&M has averaged approximately 20 jobs and annual payroll of \$450,000 in the 1999 to 2002 period. The firm currently maintains over 425,000 square feet of warehouse space with locations in Oklahoma City, Tulsa, Ponca City, and Stillwater.

8. Mertz

In 2000, the City entered into a link deposit incentive agreement on behalf of Mertz, Inc., an existing City employer. The agreement provided for a \$207,063 equipment-financing loan, with the cost of the incentive equal to a 2 percent reduction in the interest rate received on City deposits.

9. Advanced Academics - distance learning

Advanced Academics formed as a startup company in 2000 specializing in the provision of on-line learning for secondary school students. The City provided \$6,000 in incentives for the purchase of a phone system. The company employed an average of ten workers with annual pay of \$41,000 over an 18-month period. The company subsequently relocated to the Oklahoma City area in 2001.

10. Mid-America Door - residential and commercial garage door manufacturing

In early 2002, Mid-America received 3 months of rent-free use of the building in the industrial park vacated by Unitherm. Mid-America subsequently purchased the building from the City for \$300,000 with plans to invest \$1 million in new equipment and to hire 20 employees upon full operation of the building. The firm is a long-time City manufacturer and has expanded from 135 workers with payroll of \$3.5 million in 1999 to its current level of 200 workers with annual payroll of nearly \$5 million.

11. ConocoPhillips - carbon fiber manufacturing (Cevolution)

ConocoPhillips formed the carbon fibers unit in Ponca City in January 2000, and in July 2002, completed construction of a \$125 million production facility to produce carbon fibers for use in a broad range of potential commercial applications. In February 2003, before the start of production, ConocoPhillips announced the shutdown of the plant. Company officials cited a combination of “market, operating, and technology uncertainties” in shutting down the project. The City agreed to provide water and wastewater and rail line extensions to the facility. Funding was provided through a CDBG grant for \$100,000 coupled with a \$380,000 interest-free loan, as well as an \$830,000 US Department of Commerce grant. The 175 employees associated with the project received \$8.5 million in payroll during the startup phase.

12. Big Sky Airline - air transportation services

Beginning June 2000, Big Sky Airline provided daily commercial flight service at the Municipal Airport under the federal Essential Air Service (EAS) program. Administered by the U.S. Department of Transportation (DOT), the EAS provides subsidized air service to small communities that otherwise would not have access to the global transportation system. The City provided incentives in the form of \$78,000 in improvements to an existing City hangar at the Municipal Airport, which Big Sky agreed to lease. Big Sky employed five workers before discontinuing operations in June 2002, as Phoenix-based Mesa Air Group Inc. was awarded the new contract to serve the local market.

13. ConocoPhillips - Gas-to-Liquids Demonstration Plant

In the summer of 2001, ConocoPhillips broke ground on a \$75 million gas-to-liquids (GTL) demonstration plant designed to show the commercial capability of the company’s proprietary technology for converting natural gas into a sulfur-free middle distillate, such as diesel fuel. Since 1997, a research team of 80 scientists and engineers based in Ponca City has designed, manufactured and tested over 5,000 catalysts for the GTL processes. The plant will be completed in 2003 and has an indefinite operating life. City incentives provided for water and wastewater line extensions, pipeline relocation, and roadway grading.

14. Residential Copper - custom copper products

In 2001, Residential Copper purchased the building in the City industrial park that was previously owned and occupied by USA bottling. Residential Copper assumed the existing note held by the City based on the remaining payroll credit (\$27,725 balance) toward the purchase of the property equal to 4 percent of payroll over a ten-year period. The firm currently employs 8-10 workers earning an average wage of \$14 per hour.

15. Pioneer Environmental Labs

Pioneer was formed as an incubator company in the fall of 2002 to provide water quality analysis and consulting services (1 new job created). The City provided approximately \$5,000 in incentives for the purchase of office fixtures.

16. CME (Custom Mechanical Equipment) - specialized HVAC equipment

CME is the most recent project funded through the dedicated sales and use tax. CME plans to relocate their current manufacturing operation from Michigan to Ponca City in the second half of 2003. The incentive package includes a payment of up to \$1.0 million toward the construction cost of a building in the Industrial Park, and a 7-year job credit equal to 4 percent of annual payroll toward the purchase of an \$110,000, 6.5-acre tract in the Park. The City will provide for all utility connections, as well as pay up to \$25,000 of move-related transportation costs and up to \$10,000 of architect fees. In return, CME will make rental payments to the City in the amount of \$6,000 per month for seven years, with an option to purchase the building for \$776,112 at the end of the lease term. Hiring is expected to total 25 jobs at startup, increasing to 50 at full operation in the third year. Average wages are expected to be \$32,000 per year plus benefits. The City has currently paid \$19,000 toward construction of the warehouse and concrete floor and expects to expend the remaining balance of the cash incentive on additional building improvements.

SOURCES AND USES OF ECONOMIC DEVELOPMENT FUNDS

A general accounting of the costs of City economic development initiatives was conducted in order to prepare a comprehensive statement of the sources and uses of economic development funds. The objective in this section is to provide an estimate of the *economic*, rather than accounting, cost of City development activities. The economic approach provides a more comprehensive view of the costs by evaluating the financial impact on the overall City, not just the Development Authority, and by accounting for all costs to the City whether or not a cash flow actually occurred.

The full statement of sources and uses along with detailed notes is contained in Appendix A to this report, and documents all income and expenses beginning with the initial receipt of sales tax revenue in 1994. Estimates are formed for all activity expected to occur after June 2003. A summary of the major categories from the sources and uses statement is shown below in Table 2.

Table 2. Sources and Uses of Economic Development Funds – Summary

Sources of Development Funds		
Sales and Use Tax	\$15,630,160	61.1%
City Funding	4,875,315	19.1%
Grant Funding	3,768,618	14.7%
Interest Income	784,177	3.1%
Lease Income	527,120	2.1%
Total Sources	\$25,585,390	100.0%
Uses of Development Funds		
Thorn Apple Valley/Tyson Incentives	\$8,984,166	40.4%
Infrastructure Improvements	5,643,444	25.4%
Administrative Expenses	2,138,200	9.6%
Water/Wastewater Plants	2,016,471	9.1%
Sykes Incentives	1,500,000	6.7%
Sykes/Unitherm Note	743,201	3.3%
Land Acquisition	390,910	1.8%
CME Incentives	365,519	1.6%
Land Job Credit	268,477	1.2%
Unitherm Incentives	182,068	0.8%
Other Incentives	11,000	0.0%
Linked Deposit Program	6,541	0.0%
Total Uses	\$22,249,997	100.0%
Balance	\$3,335,393	

Sources of Funds

Economic development funds from all sources are expected to total \$25.775 million over the life of the projects currently underway. The dedicated sales and use tax is the primary funding source, providing 61 percent of the total funds. City and Utility Authority funding accounts for 19 percent, grant funding 15 percent, interest earnings 3 percent, and lease income the remaining 2 percent. The funds generated

through sales tax revenue, grant funding, and interest earnings will be received in full by 2004. Funds provided through City and Utility Authority accounts totaling \$1.96 million will be received as needed to service debt after 2004. Most of the estimated lease income will be received in the 2004 to 2010 period.

Use of Funds

Only \$22.25 million of the available funds will be needed to satisfy the City's obligations under current economic development agreements. The uses of funds are dominated by the TAV/Tyson incentives (40.4 percent) and infrastructure improvements (25.4 percent). Administrative expenses (9.6 percent), expansion of the water and wastewater plants (9.1 percent), and the Sykes incentive package (6.7 percent) are the only other uses exceeding 5 percent of the total. Nearly all uses of funds will have occurred by 2004, with only debt service on the water and wastewater plant expansion, routine administrative costs, and accumulating land job credits requiring the use of economic development funds after 2004.

Infrastructure Improvements

As discussed earlier, the makeup of many of the incentive packages required that a large portion of the economic development funds be used to either upgrade or expand existing City infrastructure and utility systems. The largest of the upgrades occurred in 1995 and totaled \$4.27 million for Industrial Park improvements to accommodate the needs of the TAV/Tyson food processing plant. The required improvements include internal (\$539,194) and external (\$1,057,049) street paving projects, electric substation (\$402,000) and transmission line improvements (\$75,000), internal waterlines (\$220,761), transmission waterlines (\$730,400), a water storage tank and pump station (\$460,000), internal sanitary sewer lines (\$184,552), and the Bois d' Arc interceptor (\$529,750). Funding for these Industrial Park improvement projects comes from four sources: federal and state grants (\$2,929,000 - approximately 70% of the cost of the Park improvements), dedicated Street sales tax (\$150,000), an interest-free CDBG economic development loan (\$500,000), and City/Utility Authority accounts (\$693,706).

The expected water usage and wastewater emission of the TAV/Tyson processing plant required an expansion of the City water and wastewater plants. The City agreed to meet the plant's projected water requirements of 1.0 million gallons per day (mg/d) beginning June 1995, and 2.5 mg/d after June 1996. Reconstruction of the City water and wastewater facilities was already underway in 1994 in response to State and EPA mandates to upgrade the facilities, and coincided with the increased demands placed on the system by the meat processing operation. The direct cost of adding the necessary incremental capacity at the new plants is \$1.5 million, with financing costs of \$516,471 over a twenty-year period. These costs will be recaptured through ongoing user revenue.

Another set of infrastructure improvements have been completed since 1999 and include surface street access for D&M Distribution in 1999 totaling \$163,120 (\$100,000 funded through an ODOT grant and the remainder paid through the dedicated street sales tax fund), renovation of a City-owned hangar at the Airport in 2000 (\$78,000), and extension of existing water and wastewater lines to the Carbon Fiber and Gas-To-Liquid sites in 2000-01 (\$739,618 funded through CDBG and USDOC EDA grants and \$380,000 financed with a zero-percent CDBG loan).

There are important indirect benefits from the infrastructure development that was required to service the new firms. The improvements in the Industrial Park provide for future economic development projects at greatly reduced marginal costs. Approximately 75 acres of newly acquired land remain available for

use as a financial incentive. Completed internal and external paving projects provide surface street access to a large portion of the remaining land, and existing water and wastewater capacity in the Park is capable of servicing another heavy water user or several small users. Because of these earlier improvements, the D&M and CME projects required only limited street paving and utility hookups. The water transmission pipeline improvement projects also improved the water pressure to residential Water customers on the West side of the City, an area that has experienced chronic pressure concerns. More importantly, the majority of the cost of these projects was funded with State and Federal grants.

THE ECONOMIC IMPACT OF DEVELOPMENT ACTIVITIES

The realized economic impact of City development activities in the 1995 to 2003 period is estimated in this section. The direct impact of newly attracted firms is examined first, and then used to estimate any resulting multiplier effects on the local economy. The next section assesses the economic impact of the three major construction projects funded in part with City incentives. Finally, a variety of other economic impacts are discussed.

Employment and Income at Newly Attracted Firms

The analysis in this section measures the impact of only those firms receiving incentives in exchange for bringing new jobs into the local economy, and excludes those firms already operating within the City and those bringing jobs into the City but receiving only minor incentives. This approach provides a conservative estimate of the overall impact of City development activities on the local economy.

Table 3 illustrates the significant economic impact of the employment and income generated by firms newly attracted to the City.¹ Since 1996, the first year of full operation for TAV/Tyson and Sykes, employment at all newly attracted firms has averaged 1,047 jobs with annual payroll exceeding \$20 million.

TAV/Tyson and Sykes are responsible for most of the job creation, each averaging approximately 500 employees annually in the 1996 to 2003 period, while other newly attracted firms have hired nearly 70 workers on average in the same period. The newly created jobs represent approximately 9.0 percent of total employment in the City since 1995.

Total wages paid at all newly attracted firms since 1995 will exceed \$163 million by year-end 2003. TAV/Tyson and Sykes likewise account for the bulk of the wages paid since 1995, generating \$84.6 million and \$61.7 million in payroll, respectively. Average annual wages in the 1996 to 2003 period are \$20,553 at TAV/Tyson, \$16,171 at Sykes, and \$28,803 at the remaining firms.

Table 3. Direct Economic Impact of Newly Attracted Firms

Year	Employment				Wage & Salary Income			
	Tyson	Sykes	Other	Total	Tyson	Sykes	Other	Total
1995	50	63	45	158	\$950,000	\$880,000	\$1,155,000	\$2,985,000
1996	510	400	55	965	9,100,000	7,130,000	1,604,000	17,834,000
1997	495	500	56	1,051	10,000,000	8,843,000	1,776,720	20,619,720
1998	590	500	54	1,144	11,100,000	8,650,000	1,729,377	21,479,377
1999	491	511	88	1,090	7,702,455	8,183,912	2,340,941	18,227,308
2000	363	507	95	965	8,782,451	8,111,672	2,549,872	19,443,995
2001	473	455	77	1,005	11,545,547	7,284,011	2,031,938	20,861,496
2002	600	440	55	1,095	13,283,787	6,253,453	1,683,909	21,221,149
est 2003	550	450	60	1,060	12,176,805	6,395,577	1,836,992	20,409,373
Total 95-03					\$84,641,045	\$61,731,625	\$16,708,749	\$163,081,418

¹ The impact estimates for 2003 assume that actual employment and income figures through June 30 will be realized in the second half of the year. 'Other' newly attracted firms include Encompass Mold, Unitherm, USA, and D&M.

Economic Multiplier Effects

The added business activity from newly attracted firms exerts a far-reaching influence across the local economy through both the hiring of local workers and the purchase of inputs to production from other local firms. These linkages create measurable economic “multiplier”, or ripple, effects, which provide an estimate of the amount of local economic activity supported by the new industry. The multiplier effects are estimated using the technique of input-output analysis, which allows the impact of a new firm to be described using common measures of economic activity such as employment and income.

In estimating the overall economic impact, the actual level of economic activity by new industry is deemed the “direct” effect, which in turn generates what are referred to as “indirect” and “induced” multiplier effects. The indirect effect is the economic activity resulting from local purchases of goods and services by the newly attracted firms. Induced effects reflect the economic activity resulting from the repeated spending of employee compensation received as part of the direct and indirect effects.

Table 4 provides a summary of the estimated employment and income multiplier effects from new industry, or the economic activity in the local economy that is supported by the employment and income generated at all newly attracted firms. Since 1996, the first year of full operation for TAV/Tyson and Sykes, the 1,047 new jobs at newly attracted firms have supported an estimated 1,068 additional indirect and induced jobs in the local economy. Similarly, the \$20 million in annual wages from new employment supports an estimated \$19.1 million in indirect and induced wages locally. In more familiar terms, each newly created job supports approximately one existing job in the local economy, and each new dollar of payroll supports an additional \$0.95 in earnings for other local workers.

Table 4. Multiplier Effects of Newly Attracted Firms

Year	Employment				Wage & Salary Income			
	Direct	Indirect	Induced	Total	Direct	Indirect	Induced	Total
1995	158	111	100	369	\$2,985,000	\$2,383,000	\$1,668,450	\$7,036,450
1996	965	514	489	1,968	17,834,000	10,139,200	6,641,850	34,615,050
1997	1,051	525	512	2,087	20,619,720	11,462,636	7,403,172	39,485,528
1998	1,144	589	566	2,299	21,479,377	12,058,190	7,875,893	41,413,460
1999	1,090	567	550	2,207	18,227,308	10,459,997	6,551,189	35,238,494
2000	965	486	480	1,931	19,443,995	11,403,003	7,230,689	38,077,687
2001	1,005	528	508	2,041	20,861,496	12,286,443	8,042,974	41,190,914
2002	1,095	584	554	2,233	21,221,149	12,661,037	8,489,683	42,371,868
est 2003	1,060	558	533	2,150	20,409,373	12,178,276	8,067,956	40,655,605
Total 95-03					\$163,081,418	\$95,031,782	\$61,971,856	\$320,085,056
Avg 96-03	1,047	544	524	2,115	\$20,012,052	\$11,581,098	\$7,537,926	\$39,131,076

The total earnings impact during the 1995 to 2003 period is substantial as well. New employers have injected more than \$163 million in wage and salary income into the local economy since the economic development initiative began, with the new income supporting an estimated \$157 million in earnings by other local workers in the nine-year period.

Construction Impacts

The construction expenditures for the TAV/Tyson (\$52 million), Carbon Fibers (\$125 million), and Gas-to-Liquids (\$75 million) plants generated significant one time economic impacts. Estimates of the economic impact assume that only 25% of the construction expenditures are transacted through local firms.

These impacts are shown in Table 5 and indicate that the three projects generated the equivalent of 600 direct local jobs with wages of \$11.8 million during the construction phase. The indirect and induced construction impacts support an additional 375 jobs with an annual payroll of \$6.9 million. Many of the transient construction workers employed on the Carbon Fibers and Gas-to-Liquids projects resided in the local area, resulting in a surge in 2001 and 2002 City sales tax receipts.

Table 5. Economic Impact of Construction Projects

	Construction Expenditures	Employment				Wage & Salary Income			
		Direct	Indirect	Induced	Total	Direct	Indirect	Induced	Total
TAV/Tyson	\$50,000,000	120	35	40	195	2,364,750	688,950	690,500	3,744,200
Carbon Fibers	125,000,000	300	88	100	488	5,911,875	1,722,375	1,726,250	9,360,500
Gas-to-Liquids	75,000,000	180	53	60	293	3,547,125	1,033,425	1,035,750	5,616,300

Other Economic Impacts

It is important to note that the economic impacts detailed above understate the eventual overall impact generated by City economic development activities in the 1995 to 2003 period. Other impacts have been realized and additional future impacts can be expected for the following reasons:

1. The above estimates reflect only the realized historical impact and do not account for the significant expected future impacts as firms receiving incentives continue to operate in the local economy. The largest incentive was provided to attract a large, modern food processing facility that likely will continue to operate for many more years and generate very large employment and income impacts.
2. Many of the economic development projects underway will not provide significant economic impacts until full operations begin. CME will begin production in the second half of 2003, initially employing 25 workers with an annual payroll of \$800,000. The Gas-to-Liquids demonstration plant will begin operations in late 2003 with an unknown operating lifetime, but more than \$11.3 million in wages have already been paid in the research and startup phases. Although the Carbon Fiber project has been idled, the 175 employees associated with the project received \$8.5 million in payroll during the startup phase and future employment and payroll will be substantial if the project is restarted.
3. The impact of the incentives received by several established local firms to expand their local operations is not included, but undoubtedly plays an important role in maintaining the existing City employment base. Established local firms such as Centerline, Mertz, and Mid America Door remain vital components of the Ponca City-area manufacturing base.

4. Other impacts can be expected as the full proceeds from the dedicated sales and use tax fund are eventually expended in future years.

COST-BENEFIT ANALYSIS

Newly attracted firms have provided a substantial net benefit to the local economy. Realized benefits directly attributable to the economic development efforts total an estimated \$344.4 million in the 1995 to 2003 period. The costs of economic development in the full 1994 to 2004 period total \$22.25 million. These estimates are detailed below.

Total Realized Benefits (1995-2003)

Direct Payroll at Newly Attracted Firms (1,047 new jobs)	\$163,081,000
Payroll Supported Through Multiplier Effects (1,068 existing jobs)	157,003,000
Local Payroll From Construction Activity	11,824,000
Recovery of City Funded Development Costs	8,723,000
City Utility Gross Margin	7,010,000
Sales Tax Revenue	1,712,000
Federal and State Grant Funding	<u>3,769,000</u>
 Total Realized Benefits	 \$344,400,000

The above estimates represent only those benefits fully realized through 2003. Substantial future benefits will accrue in future years from the continued operations of the newly attracted firms, from projects such as CME where incentives have been paid but operations have not yet commenced, and from the spending of the balance of the dedicated sales tax fund.

Total Costs

Economic Development Expenditures	\$22,250,000
<u>minus Federal and State Grant Funding</u>	<u>- 3,769,000</u>
Net Economic Development Expenditures	\$18,481,000

The above cost estimates fully reflect both the realized and expected future costs of all economic development activities currently underway. Adjusted for grant funding, net expenditures total an estimated \$18.48 million, or \$17,650 for each of the 1,047 direct new jobs created in the City. This equates to \$2,206 per job per year for the eight years of full operation at the newly attracted firms.

Not all of the costs of economic development sales tax are borne by City residents, however. Tourists, residents of other cities within the County, and residents of other counties both inside and

outside the State pay a portion of the dedicated sales tax. Sales tax proceeds of \$14,913,398 in the 1994-2004 period will be collected from the following sources in the noted estimated proportions: \$1,163,245 (7.8 percent) from spending directly related to new industry, \$3,325,688 (22.3 percent) from nonresident spending not related to new industry, and \$10,424,465 (69.9 percent) from resident spending not directly related to new industry. The estimate suggests that existing City residents will pay additional sales taxes of approximately \$400, or \$40 per year, in the ten-year period ended 2004.

The City also recaptures a portion of the expenses incurred in economic development activities through two sources - City utility system gross margin and sales tax revenue generated by new industry. The schedule in Table 6 details the estimated recovery period of City funded economic development costs. The estimates suggest that the \$4.875 million in City funds allocated to economic development are fully recovered by 2000.

Table 6. Projected Recovery of City Funded Economic Development Costs

Year	Sales Tax Revenue	Gross Margin on Utility Usage				Annual Cost Recovery	Cumulative Cost Recovery
		Water	Wastewater	Solid Waste	Electric		
1995	\$31,343	\$18,000	\$19,000	\$0	\$15,000	\$83,343	\$83,343
1996	187,257	259,000	276,000	116,000	201,000	1,039,257	1,122,600
1997	216,507	259,000	305,000	114,000	92,000	986,507	2,109,107
1998	225,533	273,000	343,000	202,000	75,000	1,118,533	3,227,640
1999	191,387	241,000	316,000	179,000	86,000	1,013,387	4,241,027
2000	204,162	206,000	314,000	183,000	96,000	1,003,162	5,244,189
2001	219,046	220,000	355,000	204,000	117,000	1,115,046	6,359,234
2002	222,822	249,000	356,000	218,000	136,000	1,181,822	7,541,056
est 2003	214,298	251,490	359,560	220,180	136,000	1,181,528	8,722,585

Appendix A Sources and Uses of Economic Development Fund:

SOURCES OF DEVELOPMENT FUNDS		Notes	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005-20	Total
Sales and Use Tax															
Dedicated Sales and Use Tax	1		970,759	1,412,305	1,434,007	1,468,380	1,597,151	1,556,724	1,596,585	1,740,723	1,752,238	1,699,671	401,617	0	15,630,160
Interest - Sales/Use Tax Fund	2		25,264	35,975	47,516	62,344	84,768	92,929	87,424	96,833	27,960	13,987	5,960	0	580,960
Interest - TAV Reserve Fund	3		0	24,007	20,345	23,677	28,612	27,550	27,550	20,663	0	0	0	0	172,404
Interest - Sykes/Uni. Reserve Fund	4		0	1,153	3,374	6,364	9,642	9,500	781	0	0	0	0	0	30,814
			996,023	1,473,440	1,505,242	1,560,765	1,720,173	1,686,703	1,712,340	1,858,219	1,780,198	1,713,658	407,577	0	16,414,337
City Funding															
City/PCUA Funding	5		165,000	858,706	147,000	122,000	115,000	73,000	0	0	0	10,000	0	0	1,490,706
Street Improvement Tax	6		0	150,000	0	0	0	63,120	0	0	0	0	0	0	213,120
Foregone Interest Income	7		0	0	0	0	0	6,541	0	0	0	0	0	0	6,541
Existing Land	8		0	0	0	20,308	4,292	22,070	25,973	25,746	21,017	31,600	48,661	68,810	268,477
OWRB Loan - Water/Wastewater	9		0	0	0	100,824	100,824	100,824	100,824	100,824	100,824	100,824	100,824	1,310,706	2,016,471
CDBG Loan (0%) - TAV	10		0	0	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	275,000	500,000
CDBG Loan (0%) - Carbon Fiber	11		0	0	0	0	0	0	0	19,000	19,000	19,000	19,000	304,000	380,000
			165,000	1,008,706	172,000	167,308	245,116	284,014	158,338	170,570	165,841	186,424	193,484	1,958,516	4,875,315
Grant Funding															
CDBG - TAV	12		0	500,000	0	0	0	0	0	0	0	0	0	0	500,000
HUD Grant	13		0	600,000	0	0	0	0	0	0	0	0	0	0	600,000
USDOC EDA Grant - TAV	14		0	1,655,000	0	0	0	0	0	0	0	0	0	0	1,655,000
ODOT Grant - Sykes Road	15		0	100,000	0	0	0	0	0	0	0	0	0	0	100,000
ODOT Grant - D&M Stree	16		0	0	0	0	0	100,000	0	0	0	0	0	0	100,000
CDBG - USA Bott. Stree	17		0	0	74,000	0	0	0	0	0	0	0	0	0	74,000
CDBG - Carbon Fiber	18		0	0	0	0	0	0	0	0	100,000	0	0	0	100,000
USDOC EDA Grant - Carbon Fiber	19		0	0	0	0	0	0	0	0	639,618	0	0	0	639,618
			0	2,855,000	74,000	0	0	100,000	0	0	739,618	0	0	0	3,768,618
Lease Income															
Unitherr	20		0	0	0	0	0	0	37,740	9,000	0	0	0	0	46,740
CME	21		0	0	0	0	0	0	0	0	18,000	72,000	390,380	480,380	
			0	0	0	0	0	0	37,740	9,000	18,000	72,000	390,380	527,120	
TOTAL SOURCES	22		1,161,023	5,337,146	1,751,242	1,728,073	1,965,289	2,070,717	1,908,418	2,037,788	2,685,657	1,918,082	673,061	2,348,896	25,585,390
USES OF DEVELOPMENT FUNDS															
Administrative															
EDF Funding	23		165,000	165,000	147,000	64,500	0	0	0	0	0	0	0	0	541,500
Chamber of Commerce	24		0	0	0	57,500	115,000	115,000	130,000	151,625	178,350	249,225	300,000	300,000	1,596,700
			165,000	165,000	147,000	122,000	115,000	115,000	130,000	151,625	178,350	249,225	300,000	300,000	2,138,200
Land Acquisition															
Zimmerman - 137 acres	25		146,984	48,326	58,800	55,200	51,600	0	0	0	0	0	0	0	360,910
Westminster - 10 acres	26		30,000	0	0	0	0	0	0	0	0	0	0	0	30,000
			176,984	48,326	58,800	55,200	51,600	0	0	0	0	0	0	0	390,910
Infrastructure Improvements															
Airpor	27		0	0	0	0	0	0	78,000	0	0	0	0	0	78,000
Stree	28		0	1,596,243	74,000	0	0	163,120	0	0	0	0	0	0	1,833,363
Power	29		0	477,000	0	0	0	0	0	0	0	0	0	0	477,000
Water	30		0	1,411,161	0	0	0	0	739,618	380,000	0	6,000	0	0	2,536,779
Wastewater	31		0	714,302	0	0	0	0	0	0	0	4,000	0	0	718,302
			0	4,198,706	74,000	0	0	163,120	817,618	380,000	0	10,000	0	0	5,643,444
Water/Wastewater Plants															
Incremental Construction	32		0	0	0	0	1,500,000	0	0	0	0	0	0	0	1,500,000
Interest Expense	33		0	0	0	0	45,000	43,325	41,600	39,824	37,994	36,109	34,167	238,452	516,471
			0	0	0	0	1,545,000	43,325	41,600	39,824	37,994	36,109	34,167	238,452	2,016,471
Thorn Apple Valley															
Cash Incentive	34		0	6,500,000	0	0	0	0	0	0	0	0	0	0	6,500,000
Interest Expense	35		0	341,237	354,050	322,763	285,726	244,318	198,545	123,381	47,100	12,011	0	0	1,929,131
Bond Issue Expenses	36		178,164	5,500	0	0	0	0	0	0	0	0	0	0	183,664
Broker Fee	37		50,000	0	130,000	0	0	0	0	0	0	0	0	0	180,000
Loan Reserve	38		580,000	0	0	0	0	0	0	-580,000	0	0	0	0	
Soil Stabilization/Utility Settlement	39		0	0	0	0	0	0	168,678	0	0	0	0	0	168,678
Miscellaneous	40		22,443	250	0	0	0	0	0	0	0	0	0	0	22,693
			830,607	6,846,987	484,050	322,763	285,726	244,318	367,223	-456,619	47,100	12,011	0	0	8,984,166
Sykes															
Cash Incentive	41		0	0	1,500,000	0	0	0	0	0	0	0	0	0	1,500,000
Unitherr															
Land/Building	42		0	350,968	0	0	0	0	0	0	-300,000	0	0	0	50,968
Improvements	43		0	50,000	50,000	0	0	0	0	0	0	0	0	0	100,000
Engineering	44		0	1,100	0	0	0	0	0	0	30,000	0	0	0	31,100
			0	402,068	50,000	0	0	0	0	0	-270,000	0	0	0	182,068
Sykes/Unitherr Note															
Financing Expenses	45		0	19,088	0	0	0	0	0	0	0	0	0	0	19,088
Interest Expense	46		0	0	180,000	159,600	153,968	90,880	76,562	47,113	15,991	0	0	0	724,113
Loan Reserve	47		0	200,000	0	0	0	-200,000	0	0	0	0	0	0	0
			0	219,088	180,000	159,600	153,968	-109,120	76,562	47,113	15,991	0	0	0	743,201
CME															
Cash Incentive	48		0	0	0	0	0	0	0	0	500,000	500,000	0	-669,481	330,519
Transportation Expenses	49		0	0	0	0	0	0	0	0	0	25,000	0	0	25,000
Architectural Fees	50		0	0	0	0	0	0	0	0	0	10,000	0	0	10,000
			0	0	0	0	0	0	0	0	500,000	535,000	0	-669,481	365,519
Land Job Credit															
USA Bottling	51		0	0	0	2,308	4,292	4,072	4,403	2,192	0	0	0	0	17,267
D&M Distribution	52		0	0	0	0	0	17,998	21,570	17,954	15,417	18,000	11,061	0	102,000
Centerline	53		0	0	0	18,000	0	0	0	0	0	0	0	0	18,000
Residential Copper	54		0	0	0	0	0	0	0	5,600	5,600	5,600	5,600	5,324	27,724
CME	55		0	0	0	0	0	0	0	0	0	0	32,000	63,486	103,486
			0	0	0	20,308	4,292	22,070	25,973	25,746	21,017	31,600	48,661	68,810	268,477
Linked Deposit Program															
Centerline	56		0	0	0	0	0	0	2,400	0	0	0	0	0	2,400
Mertz	57		0	0	0	0	0	0	4,141	0	0	0	0	0	4,141
			0	0	0	0	0	0	6,541	0	0	0	0	0	6,541
Other Incentives															

PONCA CITY DEVELOPMENT AUTHORITY (PCDA)
Economic Development Activities
1994-2003

Appendix A – Cont. Notes To Sources and Uses of Funds Statement

1. Economic development dedicated sales and use tax receipts were first received in April 1994 and are scheduled to end March 2004. Reported figures reflect actual sales and use tax receipts through March 2003 and estimated receipts through March 2004. The estimated figures are based on City forecasts.
2. Reported figures reflect actual interest earnings on the balance in sales and use tax accounts through March 2003 and estimated earnings through March 2004. The estimated figures are based on City forecasts.
3. Actual interest earnings on the \$580,000 TAV bond reserve account. The reserve fund was unencumbered and returned to the PCDA operating fund when the issue was refinanced in 2001.
4. Actual interest earnings on the \$200,000 Sykes/Unitherm note reserve account. The reserve fund was unencumbered and returned to the PCDA operating fund when the issue was refinanced in 1999.
5. Funding originating from either City general funds or Ponca City Utility Authority (PCUA) accounts.
6. Dedicated street improvement sales tax funds used in the Sykes and D&M street projects in the Industrial Park.
7. Reflects the interest foregone (2%) on City deposits to support the linked deposit arrangements on behalf of Centerline and Mertz.
8. The estimated economic cost associated with the job credits given as an incentive toward the purchase of land in the Industrial Park.
9. Oklahoma Water Resources Board (OWRB) loan used to finance the incremental construction costs at the Water and Waste Water plants traceable to the economic development efforts (Note 32). The loan is amortized over 20 years using a 3% interest rate. The large payment in 2005 reflects interest and principal paid in the remaining 13 years.
10. Community Development Block Grant (CDBG) 0% interest loan to PCDA for street, drainage, water, sewer, and electrical infrastructure improvements to the TAV site - 50% of a total \$1,000,000 award. Loan provisions are for semiannual payments of \$12,500 for twenty years beginning January 1996.

11. Community Development Block Grant (CDBG) 0% interest loan to PCDA for construction of water line to the Carbon Fiber and Gas-to-Liquid sites. The loan is a companion to the CDBG grant in Note 17 and serves as matching funds for the USDOC grant in Note 18.
12. Community Development Block Grant (CDBG) for street, drainage, water, sewer, and electrical infrastructure improvements to the TAV site. The grant amount is a companion to the CDBG loan in Note 10.
13. U.S. Department of Housing and Urban Development (HUD) Special Purpose Grant. Used to fund Phase I of the Northwest Transmission Pipeline project - TAV water line improvements.
14. U.S. Department of Commerce Economic Development Administration (USDOC EDA) Public Works Grant. Used to fund Phase II of the Northwest Transmission Pipeline project, a water storage tank and pump station in the Industrial Park, and street improvements for a portion of Industrial Blvd. and Waverly.
15. Oklahoma Department of Transportation (ODOT) Grant for the Sykes Road street project.
16. Oklahoma Department of Transportation (ODOT) Grant for the D&M street project.
17. Community Development Block Grant to provide street access (and cul-de-sac) for USA Bottling and adjoining properties. Only \$74,000 accessed of a \$100,000 award.
18. Community Development Block Grant (CDBG) to PCDA for construction of the water line to the Carbon Fiber and Gas-to-Liquid sites. The grant is a companion to the CDBG loan in Note 11.
19. U.S. Department of Commerce Economic Development Administration (USDOC EDA) grant used for construction of a water line to the Carbon Fiber and Gas-to-Liquid sites.
20. Income from lease payments by Unitherm received under the incentive agreement.
21. Lease income expected under the CME incentive agreement. The lease calls for payments of \$6,000 per month for seven years. The total of \$390,380 comprises \$72,000 for 2005 and the present value of the remaining 57 months of payments discounted at 3%.
22. Total sources of economic development funds.
- 23-24. Prior to 1997, City economic development funding was provided to the Economic Development Foundation (EDF). In 1997, the City entered into a 3-year contract with the Chamber of Commerce to provide economic development services. Beginning in 1999, funding for economic development services is funded through the dedicated sales and use tax accounts. Current plans are to coordinate all economic development activities through PCDA beginning in fiscal year 2004.
25. The Development Authority acquired a 137-acre tract (known as Zimmerman) adjoining the west side of the Industrial Park for approximately \$331,000. TAV received 42 acres of the

tract, USA Bottling received 3 acres, and D&M Distribution received 6 acres. The balance of the property will be used to accommodate future development projects. The land purchase involved a \$147,000 cash payment and a 4-year, 7.5% note for the balance.

26. The Development Authority acquired a 10-acre tract (known as Westminister) adjoining the west side of the Industrial Park for approximately \$30,000 in cash. Sykes received 6 acres of the tract.
27. Expense to refurbish a hangar at the Airport for Big Sky Airline. Paid from dedicated tax fund.
28. Industrial Park internal street paving projects in 1995 totaling \$539,194 and external paving projects totaling \$1,057,049. Paving projects for USA Bottling (\$74,000) in 1996 and D&M (\$163,120) in 1999.
29. Industrial Park electrical substation (\$402,000) and transmission line improvements (\$75,000) in 1995.
30. Industrial Park water improvements in 1995 - internal waterlines (\$220,761), transmission waterlines (\$730,400), and water storage tank and pump station (\$460,000). Later years include ConocoPhillips Carbon Fiber and GTL (\$1,119,618) water line extension projects, and the CME water connection (\$6,000).
31. Industrial Park sewer improvements in 1995 - internal sanitary sewer lines (\$184,552) and Bois d' Arc interceptor (\$529,750). CME wastewater connection (\$4,000) in 2003.
32. Public Works estimates that approximately \$1,500,000 of the total cost of the new Water and Waste Water facilities is attributable to the incremental capacity (beyond the original planned capacity) required to service Thorn Apple Valley. This cost (plus financing costs) is treated as a direct economic development expenditure.
33. The interest expense from funding the \$1.5 million incremental expansion of the facilities in Note 32. Reported figures reflect an estimated 20-year amortization schedule at 3% interest. The large payment in 2005 reflects interest paid in the remaining 13 years.
34. Cash payment to Thorn Apple Valley (TAV) as a job credit incentive.
35. Interest expense on a 10-year, \$5.8 million City Development Authority bond issue used to fund the TAV cash incentive in Note 34. Interest and principal payments are funded with dedicated sales and use tax receipts. The remaining balance on the original bond issue was refinanced for a two-year period in October 2001 and will be paid in full in October 2003.
36. Issuance expenses related to the bond issue in Note 34.
37. Broker fee paid as compensation for assistance leading to the location of the Thorn Apple Valley processing plant in Ponca City. Fee was paid in stages, contingent upon actual job creation figures.

38. Interest-bearing loan reserve (10% of principal) required to secure the TAV bond issue discussed in Note 35. The reserve fund became unencumbered in 2001 and was returned to the PCDA operating fund.
39. Reimbursement for soil stabilization expenses incurred by TAV at the building site in the Industrial Park. The amount received is less than the anticipated amount due to a bankruptcy settlement combining the stabilization expenses with utility fees in arrears.
40. Miscellaneous expenses in TAV incentive package.
41. Cash incentive payment to Sykes funded with a 7-year, \$2.0 million bank note described in Notes 45-47.
42. Land/building comprising the Unitherm incentive package. The property was acquired by the City Development Authority for \$350,000 and had an appraised value of \$350,000-\$360,000 at time of purchase. The purchase price and building improvements (in Note 43) were funded as a component of the \$2.0 million bank note in Notes 45-47. The building was returned to the City in 2002 and subsequently sold for \$300,000.
43. Building improvements totaling \$100,000 associated with the property in Note 42.
44. Engineering expenses associated with the property in Note 42.
45. Issuance expenses related to the 7-year, \$2.0 million bank note used to fund the Sykes/Unitherm incentives.
46. Interest expense on the 7-year, \$2.0 million bank note used to fund the Sykes/Unitherm incentives. Interest and principal payments are funded with dedicated sales and use tax receipts.
47. Interest-bearing loan reserve (10% of principal) securing the \$2.0 million bank note in Note 45. In January 1999, the loan used to fund the incentive agreement was refinanced for a term of three years and the reserve account was returned to the PCDA operating account. The note was paid in full in January 2002.
48. Cash incentive of \$1,000,000 to CME to offset the cost of constructing a building in the Industrial Park. The amount in the final year reflects the present value of the purchase price in year 7 specified in the lease agreement. This is a conservative estimate of the building value in year 7 since total construction costs will exceed \$1.2 million. If the building reverts back to the City before the lease expires, the market value will likely exceed the purchase price under the lease agreement.
49. The City agreed to offset up to \$25,000 of moving-related transportation costs for CME.
50. The City agreed to offset up to \$10,000 of architecture fees.
- 51-55. The value of incentives earned by firms receiving a job credit toward the purchase of land in the Industrial Park.

56-57. The foregone interest income associated with linked deposit arrangements with Centerline and Mertz.

58-59. Other incentives include a phone system (\$6,000) and office fixtures (\$5,000).

60. Total uses of economic development funds.

61. Annual estimate of total sources minus total uses of development funds.

62. Cumulative balance on sources and uses of development funds.

63. Annual total sources of funds in 1998 prices using the inflation adjustment factors in Note 45.

64. Annual total uses of funds in 1998 prices using the inflation adjustment factors in Note 45.

65. Annual inflation adjustment factors calculated using the Consumer Price Index for all consumers. The estimated inflation rate in the 2004 to 2005 period is 3%.