ECONOMIC IMPACT REPORT

Economic Development Activities
1994-2003

Prepared for

PONCA CITY DEVELOPMENT AUTHORITY (PCDA)

By

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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.
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.


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.
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.


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 (Westminster 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 package 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 rental 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 $519,000 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>
<thead>
<tr>
<th>Sources of Development Funds</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and Use Tax</td>
<td>$15,630,160</td>
<td>61.1%</td>
</tr>
<tr>
<td>City Funding</td>
<td>4,875,315</td>
<td>19.1%</td>
</tr>
<tr>
<td>Grant Funding</td>
<td>3,768,618</td>
<td>14.7%</td>
</tr>
<tr>
<td>Interest Income</td>
<td>784,177</td>
<td>3.1%</td>
</tr>
<tr>
<td>Lease Income</td>
<td>527,120</td>
<td>2.1%</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>$25,585,390</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses of Development Funds</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thorn Apple Valley/Tyson Incentives</td>
<td>$8,984,166</td>
<td>40.4%</td>
</tr>
<tr>
<td>Infrastructure Improvements</td>
<td>5,643,444</td>
<td>25.4%</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>2,138,200</td>
<td>9.6%</td>
</tr>
<tr>
<td>Water/Wastewater Plants</td>
<td>2,016,471</td>
<td>9.1%</td>
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<tr>
<td>Sykes Incentives</td>
<td>1,500,000</td>
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</tr>
<tr>
<td>Sykes/Unitherm Note</td>
<td>743,201</td>
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<tr>
<td>Land Acquisition</td>
<td>390,910</td>
<td>1.8%</td>
</tr>
<tr>
<td>CME Incentives</td>
<td>365,519</td>
<td>1.6%</td>
</tr>
<tr>
<td>Land Job Credit</td>
<td>268,477</td>
<td>1.2%</td>
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<tr>
<td>Unitherm Incentives</td>
<td>182,068</td>
<td>0.8%</td>
</tr>
<tr>
<td>Other Incentives</td>
<td>11,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>Linked Deposit Program</td>
<td>6,541</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td><strong>$22,249,997</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

**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 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. 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment</th>
<th>Wage &amp; Salary Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tyson</td>
<td>Sykes</td>
</tr>
<tr>
<td>1995</td>
<td>50</td>
<td>63</td>
</tr>
<tr>
<td>1996</td>
<td>510</td>
<td>400</td>
</tr>
<tr>
<td>1997</td>
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<td>440</td>
</tr>
<tr>
<td>est 2003</td>
<td>550</td>
<td>450</td>
</tr>
<tr>
<td><strong>Total 95-03</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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>
<thead>
<tr>
<th>Year</th>
<th>Direct</th>
<th>Indirect</th>
<th>Induced</th>
<th>Total</th>
<th>Direct</th>
<th>Indirect</th>
<th>Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>158</td>
<td>111</td>
<td>100</td>
<td>369</td>
<td>$2,985,000</td>
<td>$2,383,000</td>
<td>$1,668,450</td>
<td>$7,036,450</td>
</tr>
<tr>
<td>1996</td>
<td>965</td>
<td>514</td>
<td>489</td>
<td>1,968</td>
<td>17,834,000</td>
<td>10,139,200</td>
<td>6,641,850</td>
<td>34,615,050</td>
</tr>
<tr>
<td>1997</td>
<td>1,051</td>
<td>525</td>
<td>512</td>
<td>2,087</td>
<td>20,619,720</td>
<td>11,462,636</td>
<td>7,403,172</td>
<td>39,485,528</td>
</tr>
<tr>
<td>1998</td>
<td>1,144</td>
<td>589</td>
<td>566</td>
<td>2,299</td>
<td>21,479,377</td>
<td>12,058,190</td>
<td>7,875,893</td>
<td>41,413,460</td>
</tr>
<tr>
<td>1999</td>
<td>1,090</td>
<td>567</td>
<td>550</td>
<td>2,207</td>
<td>18,227,308</td>
<td>10,459,997</td>
<td>6,551,189</td>
<td>35,238,494</td>
</tr>
<tr>
<td>2000</td>
<td>965</td>
<td>486</td>
<td>480</td>
<td>1,931</td>
<td>19,443,995</td>
<td>11,403,003</td>
<td>7,230,689</td>
<td>38,077,687</td>
</tr>
<tr>
<td>2001</td>
<td>1,005</td>
<td>528</td>
<td>508</td>
<td>2,041</td>
<td>20,861,496</td>
<td>12,286,443</td>
<td>8,042,974</td>
<td>41,190,914</td>
</tr>
<tr>
<td>2002</td>
<td>1,095</td>
<td>584</td>
<td>554</td>
<td>2,233</td>
<td>21,221,149</td>
<td>12,661,037</td>
<td>8,489,683</td>
<td>42,371,868</td>
</tr>
<tr>
<td>est 2003</td>
<td>1,060</td>
<td>558</td>
<td>533</td>
<td>2,150</td>
<td>20,409,373</td>
<td>12,178,276</td>
<td>8,067,956</td>
<td>40,655,605</td>
</tr>
</tbody>
</table>

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>
<thead>
<tr>
<th>Construction Expenditures</th>
<th>Employment</th>
<th>Wage &amp; Salary Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
<td>Indirect</td>
</tr>
<tr>
<td>TAV/Tyson</td>
<td>120</td>
<td>35</td>
</tr>
<tr>
<td>Carbon Fibers</td>
<td>300</td>
<td>88</td>
</tr>
<tr>
<td>Gas-to-Liquids</td>
<td>180</td>
<td>53</td>
</tr>
</tbody>
</table>

Table 5. Economic Impact of Construction Projects

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.


- 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 $3,769,000

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
- Federal and State Grant Funding - 3,769,000

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Tax Revenue</th>
<th>Gross Margin on Utility Usage</th>
<th>Annual Cost Recovery</th>
<th>Cumulative Cost Recovery</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Water</td>
<td>Wastewater</td>
<td>Solid Waste</td>
</tr>
<tr>
<td>1995</td>
<td>$31,343</td>
<td>$18,000</td>
<td>$19,000</td>
<td>$0</td>
</tr>
<tr>
<td>1996</td>
<td>187,257</td>
<td>259,000</td>
<td>276,000</td>
<td>116,000</td>
</tr>
<tr>
<td>1997</td>
<td>216,507</td>
<td>259,000</td>
<td>305,000</td>
<td>114,000</td>
</tr>
<tr>
<td>1998</td>
<td>225,533</td>
<td>273,000</td>
<td>343,000</td>
<td>202,000</td>
</tr>
<tr>
<td>1999</td>
<td>191,387</td>
<td>241,000</td>
<td>316,000</td>
<td>179,000</td>
</tr>
<tr>
<td>2000</td>
<td>204,162</td>
<td>206,000</td>
<td>314,000</td>
<td>183,000</td>
</tr>
<tr>
<td>2001</td>
<td>219,046</td>
<td>220,000</td>
<td>355,000</td>
<td>204,000</td>
</tr>
<tr>
<td>2002</td>
<td>222,822</td>
<td>249,000</td>
<td>356,000</td>
<td>218,000</td>
</tr>
<tr>
<td>est 2003</td>
<td>214,298</td>
<td>251,490</td>
<td>359,560</td>
<td>220,180</td>
</tr>
</tbody>
</table>
### Appendix A  Sources and Uses of Economic Development Fund:

**Sources of Development Funds**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and Use Tax</td>
<td>679,758</td>
<td>1,410,035</td>
<td>1,430,917</td>
<td>1,448,380</td>
<td>1,587,151</td>
<td>1,506,724</td>
<td>1,760,723</td>
<td>1,702,285</td>
<td>1,606,671</td>
<td>451,617</td>
<td>0</td>
<td>5,439,161</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Interest - land sale tax &amp; rental</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
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<td>0</td>
<td></td>
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<tr>
<td>Interest - Tax Reserve Fund</td>
<td>29,240</td>
<td>29,241</td>
<td>61,004</td>
<td>105,108</td>
<td>98,483</td>
<td>91,409</td>
<td>93,502</td>
<td>74,387</td>
<td>327,535</td>
<td>27,535</td>
<td>29,643</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>383,871</td>
</tr>
<tr>
<td>Interest - Sykes Util. Reserve Fund</td>
<td>0</td>
<td>1,153</td>
<td>3,327</td>
<td>6,366</td>
<td>9,454</td>
<td>9,933</td>
<td>9,791</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>30,164</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>679,787</td>
<td>1,439,276</td>
<td>1,532,922</td>
<td>1,556,822</td>
<td>1,685,630</td>
<td>1,544,167</td>
<td>1,834,614</td>
<td>1,736,672</td>
<td>1,684,208</td>
<td>451,617</td>
<td>0</td>
<td>5,823,032</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Total Sources

| Notes | 1,061,023 | 5,337,146 | 1,712,940 | 1,728,573 | 1,965,989 | 2,078,717 | 1,908,419 | 2,057,788 | 2,845,867 | 1,910,560 | 672,061 | 2,349,896 | 35,585,490 |

### Uses of Development Funds

**Administration**

| Notes | 200,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,349,896 |

**Sykes Utilities**

| Notes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,349,896 |

**Total Uses**

| Notes | 1,161,023 | 5,337,146 | 1,712,940 | 1,728,573 | 1,965,989 | 2,078,717 | 1,908,419 | 2,057,788 | 2,845,867 | 1,910,560 | 672,061 | 2,349,896 | 35,585,490 |

### Summary

- **Total Sources:** 35,585,490
- **Total Uses:** 35,585,490
- **Net Change:** 0
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.


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

2
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 Westminster) 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%.