Development Corporation of Harlingen, Inc.
Board of Directors
Regular Meeting
September 27, 2011

On this the 27th day of September 2011 at 5:30 p.m. the Development Corporation of Harlingen, Inc. Board of Directors convened in Regular Session in the Town Hall at City Hall located at 118 E. Tyler Street, Harlingen, Texas. The following Board Members and staff were present.

Ernesto Silva President
Rick Leadsman Vice President
Desi Martinez Secretary
Manny Vela Treasurer
Terry Gray Member
Bill Martin Chief Executive
Brendan Hall Attorney

Also present: Mayor Chris Boswell, Carlos Yerena, City Manager, Amanda C. Elizondo, City Secretary, Roxann Pais Cotroneo, City Attorney, Roel Gutierrez, Finance Director

President Ernesto Silva called the meeting to order; a quorum was established and the following proceedings were held.

Pledge of Allegiance

Mr. Ernesto Silva recited the Pledge of Allegiance and welcomed everyone in attendance.

Citizen Communication

Mr. Ron Lozano, resident, referred to Item 3 and stated he was of the opinion that in the past, people were more honest and abided by a code of ethics. He wished that the EDC would do better progress than some of the other boards.

President Silva thanked Mayor Boswell for putting the City Commission meetings on the city’s website and for the public to view. He requested the Board to follow the agenda topics as posted. Each board member should be allowed to finish speaking before another one would speak. This is necessary to conduct an orderly meeting and for the public to understand who was speaking.

1. Consider and take action to approve the minutes of Special meeting of August 24, 2011, August 30, 2011 and September 13, 2011.

Mr. Martin stated the August 24, 2011 minutes were prepared for consideration
and approval by the board.

Desi Martinez asked in what page of the minutes was the discussion on the proposed budget and if it reflected his action of voting against the budget.

Amanda Elizondo, City Secretary stated the minutes of the September 13., 2011 meeting were not prepared yet and would be presented to them at the following meeting.

Motion by was made by Commissioner Mr. Gray and second by Mr. Ledesma to approve the minutes as presented. Motion carried unanimously.

2. Consider and take action to approve the financial report for August 2011

Mr. Roel Gutierrez highlighted the financial report for August 2011.

Development Corporation of Harlingen, Inc.

Interim Financial Statements  
For Month Ending August 31, 2011

**BALANCE SHEET**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 5,483,304</td>
</tr>
<tr>
<td>BPS Trust Account</td>
<td>$21,232,732</td>
</tr>
<tr>
<td>Receivables</td>
<td>$ 1,936,322</td>
</tr>
<tr>
<td>Assets (land, building &amp; parking lot)</td>
<td>$ 9,432,611</td>
</tr>
<tr>
<td>Work in Progress - BPS</td>
<td>$12,751,252</td>
</tr>
<tr>
<td>Work in Progress -</td>
<td>$ 4,158,757</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$54,994,979</strong></td>
</tr>
<tr>
<td>Liabilities &amp; Payables</td>
<td>$ 1,688,704</td>
</tr>
<tr>
<td>BPS land payable</td>
<td>$ 3,097,290</td>
</tr>
<tr>
<td>Loan</td>
<td>$ 4,000,000</td>
</tr>
<tr>
<td>Bonds Payable</td>
<td>$31,610,006</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$40,396,001</strong></td>
</tr>
<tr>
<td>Unencumbered Fund Balance</td>
<td>$ 5,483,304</td>
</tr>
<tr>
<td>Non-Cash Fund Balance</td>
<td>$ 9,115,674</td>
</tr>
<tr>
<td><strong>Total Fund Balance</strong></td>
<td><strong>$14,598,978</strong></td>
</tr>
</tbody>
</table>

**STATEMENT OF REVENUES AND EXPENDITURES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Current Month</th>
<th>Year to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>$ 301,198</td>
<td>$39,221,766</td>
</tr>
<tr>
<td>Expenditures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>$ 33,431</td>
<td>$ 467,163</td>
</tr>
</tbody>
</table>
Mr. Martinez stated he had a problem with how the categories were titled and they needed to be more accurate. He referred to the interest earnings of $35,000. He mentioned it was his understanding there were no funds currently invested.

Roel Gutierrez stated currently there was $10,000 in earnings.

A brief discussion was held regarding the revenues and expenditures of certain items and projects adjustments. Mr. Gutierrez stated a budget amendment would be done for overages reflected in the budget line items.

President Silva asked if there was a legal requirement for the board to do budget amendments.

Mr. Brendan Hall, Attorney stated if the expenditure was within the budget there was no need for an amendment.

Mr. Martinez stated there was an overage of approximately $5,000 in the budget line item for marketing. He asked for a clarification of the overage.

President Silva stated at the last meeting there were questions on whether or not the board could amend the budget to cover for overages. He stated budget amendments could be done every six months based on the board’s bylaws. Internally, they needed to provide some kind of direction to the Finance Department to allow for overages.

Bill Martin, Executive Director stated the Marketing-Advertising category was $8,700 under budget. The Marketing-Travel category was $3,500 under budget and the Marketing-Direct Mail category was $8,800 under budget. This would offset the Marketing-Fees category which was $4,900 over budget. The Marketing-Fees were due to the EDC’s participation in the Industrial Asset Management Council, Texas One and Team Texas.

Mr. Martinez asked if the same protocol was being followed for salaries and employee benefits as city employees.

Mr. Gutierrez responded the EDC employees were under the same umbrella as the city employees and received the same benefits.

Mr. Hall referred to Section 6.02 of the bylaws and stated there was no minimum or maximum amount. While there was a procedure for submitting the budget for
approval, there was not a specific amount as to what the board could present as an amendment.

President Silva recommended for the board to review the budget every three months and if any overages occurred in the budget for the Finance Director to inform them.

Mr. Martinez referred to the current budget of $3.9 million and asked if the board had spent $4.2 million the prior year.

Mr. Gutierrez responded that was correct and the approximate amount totaled to $4.1 million as of to date from this year plus last years. The Sales Tax was 1.8% above year to date compared to 2.32% above from last year’s figures. The Washington Street Project started at $333,237. The project was completed with a zero balance. The Bass Pro Shops bond and loan revenues were at $35,610,006 and expenditures - $12,751,252; the project was still in progress and the total balance on the Bass Pro Shops revenues and expenditures summary was at $22,065,280.

Motion was made by Mr. Gray and seconded by Mr. Vela to approve the financial report for August 2011 as presented by the Finance Director. Motion carried unanimously.

3) Consider and take action to authorize Executive Director to solicit proposals for all budgeted contracts.

Mr. Martinez stated there were no policies and procedures in place regarding purchasing and no legal contract. He asked if the EDC would be soliciting RFQ(s) for legal, lobbyist and marketing services.

Mr. Martin responded the EDC follows the city’s policies and procedures regarding purchasing. If there was a project that was over a certain amount the EDC would solicit bids and staff provides three quotes on all items. If the EDC instructed staff to solicit bids on all contract services, then they would do it.

Mr. Vela asked if the requirements that were being followed were based on state law.

Mr. Hall stated the EDC was exempt from the bidding statute and they did not have to follow the city’s bidding process. Legislature had decided that the EDC had more flexibility than the city on the bidding process. He stated bids were solicited for the bigger projects such as the Bass Pro Shops.

A brief discussion was held regarding the bidding process and procedures and Mr. Martin stated the marketing activities were through an annual contract that rolled over for consistency. If there was a separation of the design then the cost would be $2,000 to $3,000 per year. There is a computer service contract and other contracts were
on a month to month or year to year basis.

Mr. Martinez recommended that a finance committee be created to assist the EDC in reviewing major expenditures to show other companies that the EDC was opened for business by soliciting proposals. He recommended that the EDC consider asking other city departments such as the Airport and Harlingen Waterworks to participate on the cost for lobbyist’s services.

President Silva recommended establishing a committee consisting of the vice-chair and secretary to review and identify the items on the budget that required proposals. He cautioned the members to be aware that three quotes should be more than adequate based on the EDC’s day to day operations.

Motion was made by Mr. Gray and seconded by Mr. Vela to table the item to allow Mr. Martinez and Mr. Ledesma to submit recommendations subject to discussion on purchasing issues. Motion carried unanimously.

6) Consider and take action to approve a Land Lease Agreement between the Development Corporation of Harlingen, Inc. and Texas State Technical College.

Mr. Martin stated there was a provision in the agreement that the EDC would own the University Articulation Center and would be located at a site that the EDC would lease from Texas State Technical College (TSTI). The action was to formalize the lease agreement with the land for forty-years plus two 10-year options.

Mr. Hall stated the lease agreement called for additional ten-year options. TSTC was proposing two ten-year options, for a maximum of 60 years.

President Silva stated this should not make a difference due to the $4.2 million that the EDC had in assets.

Mr. Martinez stated there was a lease and the EDC owned 100%.

Mr. Hall replied it was not a lease it was an agreement for $4.2 million to build the Articulation Center.

Mr. Silva stated the agreement of $4.2 million was for a much smaller building. The additional cost of the building was provided by TSTC.

Mr. Hall mentioned the agreement stated there would be a lease and this was what was being presented tonight.

Terry Gray stated since there was a co-ownership and there was an undivided interest, the question was who owned the land. We have a lease hold improvement, if this improvement was attached to the property then TSTC is the owner and the EDC would have a lease hold interest in the building.
Motion was made by Mr. Gray and seconded by Mr. Ledesma to approve the lease.

Mr. Hall asked that the motion be clarified whether the board was approving the lease as presented or agreed to TSTC’s proposal for a two (2) ten-year option.

Mr. Silva recommended 40-years with two (2) ten-year options in case the building was ever damaged or TSTC wished to tear it down after 40 years.

Motion was made by Mr. and seconded by Mr. Lesdema to amend the motion to accept the lease on a 40-year term with two (2) ten-year options. Motion carried as follows: FOR: Gray, Ledesma, Vela: AGAINST: Martinez

7) Consider and take action approve entering into an agreement with ACCION Texas for the implementation of an interest rate buy-down program for ACCION Texas loans to local qualifying business.

Mr. Martin introduced Sara Saldana and Marlene Rodriguez with ACCION Texas and stated at previous board meetings it was discussed setting up a program to buy down the interest rate of ACCION Texas loans to assist the Harlingen small businesses. ACCION Texas was asking for a buy down of 8% on a trial period for four months. If after four months, ACCION Texas was not able to attract loan activities at this rate, they would ask the board to reconsider lowering the buy-down rate an extra 2% to make full use of the buy-down funds. The staff’s recommendation was to try a 4.5% reduction for the first four months and then evaluate the reduction to determine whether or not there it was necessary to write-down an extra 2%.

Mr. Martinez asked what the Corpus Christi Program model was. He noticed that Corpus Christi was doing a buy-down rate of 8% and all other cities in the valley were at 3% to 4%.

Sara Saldana, with ACCION Texas, stated the Corpus Christi buy-down was 5.5% interest rate. They had received funding in the Hidalgo County area from the University of Texas Pan American and they had a buy-down on loans up to $5,000 at 1% interest rate. ACCION TEXAS has seen the demand as far as buying down the rate and it has been a huge success on buy-down interest. There were only two buy-downs in Hidalgo County 1% and Corpus Christi 5.5%.

Eddie Gutierrez, owner of Spirit Lines, stated he started his business approximately two years ago in June. The business got accredited in December, 2010. He opened his business with three employees consisting of his wife and two employees and himself. Mr. Gutierrez stated in January he hired three additional employees and three part-time employees. He has future plans on expanding his business by an additional 1,000 sq. ft. ACCION Texas had been very instrumental in helping him with the capital he needed to start up his business. Mr. Gutierrez stated the original loan was
for $40,000 and it has been paid down to about $32,000. They asked for a second loan amount of $50,000 and it was pending review from ACCION Texas. The interest rate was at approximately 10% or 10.5%.

Mr. Silva stated for the public’s information Mr. Gray and Mr. Martinez were on a committee to establish a program that would assist small businesses. Their recommendation was for the board to work with ACCION Texas or similar organizations to provide opportunities to small businesses to obtain loans with lower interest rates.

Mr. Ledesma asked for a clarification on the “Microloan Management Services” which predicted the probability of loan payoff of prospective clients, irrespective of FICO score. How did ACCION Texas evaluate whether or not someone would receive a loan pay-off?

Ms. Saldana responded they used a model called “MMS” that serviced micro-lending organizations. When an individual submitted an application with their financials and based on their credit score, the program model would automatically tier their payment ability.

Ledesma asked when was kiva.org founded, how did it work and what kind of monitoring was done by ACCION Texas.

Ms. Saldana stated kiva.org was a non-profit organization that ACCION partnered with about a year ago. They would find different donors who were interested in assisting ACCION Texas clients and one example was in the area of education.

Motion was made by Mr. Martinez to contract with ACCION Texas, but allow for the flexibility based on the demand of loans in the City of Harlingen to buy down the interest rate (especially in the downtown area) as necessary to target small businesses.

Mr. Silva asked Mr. Martinez if his motion was to go lower than 6.5% on the interest rate.

Mr. Martinez responded that he would like to allow the flexibility to ACCION Texas to buy-down the interest rate. Whatever the executive director worked with to meet the job creation goals and begin with a 2% interest rate.

Ms. Saldana stated Hidalgo County was at 1% and left their loans up to $5,000 at 12%.

Mr. Silva stated Mr. Martinez made a motion to buy-down the interest rate to 2% and seconded the motion to allow for discussion by the board.

Mr. Martin suggested for the board not to require ACCION Texas to obtain permission from the executive director because he did not want to be placed in a position where he would make a decision as to who would get an 8% or 2% loan. The EDC staff
was not in the business of approving loans and ACCION Texas was the expert in this field. If the board wished to buy-down the interest rate to 2%, then give ACCION the authority to process the loans.

Mr. Gray stated that he supported the amendment to bring the interest rate down to 2%, but did not favor for the EDC staff to get involved in the process or decision of granting loans.

Mr. Martinez amended his motion to enter into an agreement with ACCION Texas with a flexible plan and an interest rate as low as 2% and follow the same rate given to Corpus Christi of 10.5.

Mr. Silva asked Mr. Martinez to clarify his motion because it was different than his original motion.

Mr. Martinez amended his motion to accept the floor plan in general and with a flexibility of an interest rate at 2% based on the need of the startup of small business.

Mr. Silva seconded the motion and clarified the motion by stating that the EDC was approving an 8% interest rate with a flexibility to allow ACCION Texas to lower the rate as low as 2% depending on the need of the small businesses, but the starting point was 8%.

Mr. Martinez amended his motion to authorize the EDC attorney to draft the agreement with ACCION Texas. Mr. Silva seconded the motion.

Mr. Hall asked if there was a maximum loan amount.

Mr. Gray replied it was $250,000.

Motion carried unanimously.

4) Executive session pursuant to Chapter 551, Subchapter D., V.T.C.A. Government Code (Section 551.087) regarding commercial and financial information from a business prospect with which the Board is conducting economic development negotiations and/or to discuss or deliberate financial or other incentives to a business prospect known as Project Eagle.

Motion was made by Mr. Ledesma and seconded by M. Vela to convene in executive session. Motion carried unanimously.

On September 27, 2011 at 6:52 p.m. President Silva announced the corporation would convene in executive session.

On September 27, 2011 at 7:34 p.m. President Silva announced the corporation had completed its executive session and declared the meeting opened to the public.
5) Consider and take action to approve a Letter of Intent for Project Eagle.

Motion was made by Mr. Martinez and seconded by M. Vela to table the item. Motion carried unanimously.

8) Executive Director’s Report
   - Prospect Activity
   - Website Activity
   - Rio South Texas Economic Council

Mr. Martin stated since his last report the EDC had assisted Tire Recycling and Processing Company and the Harlingen City Commission approved an enterprise application for this company. Union Supply Company out of San Diego has leased space for a warehouse on Hanmore Street that will employ 10 people. Mr. Martin stated that due to the lateness of the meeting he would be happy to defer his report until next meeting.

Mr. Silva congratulated Mr. Bennett who was named the “Great American Worker” and directed Mr. Martin to send him a letter of congratulations on behalf of the board. He stated he and Mr. Vela would be meeting with Mr. Martin to try and set up a new Sports and Entertainment Committee. They would gather data on events that were happening in Cameron and Hidalgo County and would also be looking into the Harlingen School District facilities for holding events in the future.

There being no further business, motion was made by Mr. Ledesma and seconded by Mr. Martinez to adjourn the meeting. Motion carried unanimously.

Economic Development of Harlingen, Inc.

________________________________________
Ernesto Silva, President

Attest:

________________________________________
Amanda C. Elizondo, City Secretary