City of Las Cruces®

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Council Action and Executive Summary

Item # 12 Ordinance/Resolution# 2768

For Meeting of November 2, 2015 (Ordinance First Reading Date)

For Meeting of November 16, 2015 (Adoption Date)

Please check box that applies to this item:

☐ QUASI JUDICIAL ☐ LEGISLATIVE ☒ ADMINISTRATIVE

TITLE: AN ORDINANCE IN ACCORDANCE WITH THE LOCAL ECONOMIC DEVELOPMENT PLAN AUTHORIZING THE CITY OF LAS CRUCES TO ACT AS FISCAL AGENT FOR A LOCAL ECONOMIC DEVELOPMENT ACT PROJECT KNOWN AS THE OL' GRINGO CHILE COMPANY PROJECT.

PURPOSE(S) OF ACTION:

To approve a State Local Economic Development Act (LEDA) Project.

COUNCIL DISTRICT: ALL		
Drafter/Staff Contact: Cruz A. Ramos	**Department/Section:** Administration / Economic Development	**Phone:** 541-2140
City Manager Signature:		

BACKGROUND / KEY ISSUES / CONTRIBUTING FACTORS:

Under this proposed ordinance, the City of Las Cruces (City) and the New Mexico Economic Development Department (NMEDD) will work collaboratively to provide up to $25,000.00 in State LEDA funds to the Ol' Gringo Chile Company Project. Andele's Tortillaria de Mesilla, LLC, dba Ol' Gringo Chile Company (the "Company") is requesting the funding towards the company's construction and development of a manufacturing facility at 1447 Certified Place, Building A, Suite #1 in Las Cruces. Through this expansion effort, the Company will produce salsas and related products and will create 10 new direct jobs by December 31, 2018. The State has appropriated these funds for use in the project. However, the City will not contribute any additional funding toward the project. The City, acting as fiscal agent, will manage the disbursement of funds and monitor the progress of the project. These funds will be made available to the project on a reimbursement basis subject to advance documentation substantiating such expenses.

SUPPORT INFORMATION:

1. Exhibit "A", Project Participation Agreement between the City and Andele's Tortillaria de Mesilla, LLC, dba Ol' Gringo Chile Company.

(Continue on additional sheets as required)

2. Exhibit "B", Intergovernmental Agreement between the NMEDD and the City.
3. Attachment "A", Project Application without Exhibits B1 and B2 (confidential proprietary information).
4. Attachment "B", Executive Summary of economic impact.

SOURCE OF FUNDING:

Is this action already budgeted?			
N/A	Yes	☐	See fund summary below
	No	☐	If No, then check one below:
	Budget Adjustment Attached	☐	Expense reallocated from: _____
		☐	Proposed funding is from a new revenue source (i.e. grant; see details below)
		☐	Proposed funding is from fund balance in the _____ Fund.
Does this action create any revenue?			
N/A	Yes	☐	Funds will be deposited into this fund: _____ in the amount of $_____for FY__.
	No	☐	There is no new revenue generated by this action.

BUDGET NARRATIVE

N/A

FUND EXPENDITURE SUMMARY:

Fund Name(s)	Account Number(s)	Expenditure Proposed	Available Budgeted Funds in Current FY	Remaining Funds	Purpose for Remaining Funds
N/A	N/A	N/A	N/A	N/A	N/A

OPTIONS / ALTERNATIVES:

1. Vote "Yes"; this will authorize the City to act as fiscal agent for State LEDA Project funds for the Ol' Gringo Chile Company Project.
2. Vote "No"; this will not authorize the City to act as fiscal agent for State LEDA Project funds for the Ol' Gringo Chile Company Project.
3. Vote to "Amend"; this would require City Council to provide direction on amending the proposed ordinance.
4. Vote to "Table"; this would require City Council direction to staff on how to proceed related to the proposed ordinance.

REFERENCE INFORMATION:

N/A

(Continue on additional sheets as required)

COUNCIL BILL NO. 16-009
ORDINANCE NO. 2768

AN ORDINANCE IN ACCORDANCE WITH THE LOCAL ECONOMIC DEVELOPMENT PLAN AUTHORIZING THE CITY OF LAS CRUCES TO ACT AS FISCAL AGENT FOR A LOCAL ECONOMIC DEVELOPMENT ACT PROJECT KNOWN AS THE OL' GRINGO CHILE COMPANY PROJECT.

The City Council is informed that:

WHEREAS, the City of Las Cruces (City), New Mexico, a municipal corporation, considers economic development and job creation extremely important to the livability of the community; and

WHEREAS, Ordinance 2697, the Local Economic Development Plan 2013, was adopted on October 21, 2013, allowing the City to use public resources for economic development projects that retain, create and attract jobs into the community; and

WHEREAS, Andele's Tortillaria de Mesilla, LLC, dba Ol' Gringo Chile Company (the "Company") is a qualifying entity under the Local Economic Development Act (Act), and has acquired a leasehold interest in the real property, building and improvements at 1447 Certified Place, Building A, Suite #1 within the City; and

WHEREAS, the Company is committed to constructing and developing a food production facility within the City (and to be known as the Ol' Gringo Chile Company Project) and has applied for Act assistance from the New Mexico Economic Development Department (NMEDD); and

WHEREAS, the NMEDD proposes contributing $25,000.00 in Act funds to the Ol' Gringo Chile Company Project; and

WHEREAS, the City will serve as local government conduit for the appropriation of these funds from the Legislature of the State of New Mexico towards the Company's

construction of a manufacturing facility in the City.

NOW, THEREFORE, Be it ordained by the governing body of the City of Las Cruces:

(I)

THAT the City is hereby authorized to serve as fiscal agent for the appropriation of funds from the Legislature of the State of New Mexico for the Act project known as the Ol' Gringo Chile Company Project as set forth in the Project Participation Agreement attached hereto as Exhibit "A", and made part of this Ordinance.

(II)

THAT the City will execute, at the appropriate time, an Intergovernmental Agreement with the NMEDD attached hereto as Exhibit "B", and made part of this Ordinance.

(III)

THAT the City Manager is hereby authorized to execute all necessary documents in completion of this Ordinance on the City's behalf.

(IV)

THAT this Ordinance has been published prior to its adoption and shall be published at least once after adoption, pursuant to Section 3-17-1, et seq., NMSA 1978, as amended.

(V)

THAT City staff is hereby authorized to do all deeds necessary in the accomplishment of the herein above.

DONE AND APPROVED this _____ day of _____, 20___.

APPROVED:

_____
Mayor

ATTEST:

_____
City Clerk

(SEAL)

Moved by: _____

Seconded by: _____

VOTE:
Mayor Miyagishima: _____
Councillor Silva: _____
Councillor Smith: _____
Councillor Pedroza: _____
Councillor Small: _____
Councillor Sorg: _____
Councillor Levatino: _____

APPROVED AS TO FORM:

ACTING _____
City Attorney

EXHIBIT "A"

PROJECT PARTICIPATION AGREEMENT

This Project Participation Agreement (this "Agreement") is entered into on _____ by and between the CITY OF LAS CRUCES, a New Mexico Municipal Corporation (the "City") and ANDELE'S TORTILLARIA DE MESILLA, LLC, a New Mexico limited liability company, DBA OL' GRINGO CHILE COMPANY (the "Company" or the "Project Party").

1. Recitals.

A. Pursuant to the Local Economic Development Act, NMSA 1978, Sections 5-10-1 through 5-10-13 ("LEDA"), the City adopted Ordinance No. 2697 (the "Las Cruces Local Economic Development Plan") authorizing the City to consider applications for economic development assistance;

B. As provided in the Las Cruces Local Economic Development Plan 2013, the City considered an application from the Company, which proposed that the City serve as fiscal agent for $25,000.00 of an appropriation from the New Mexico Legislature (the "LEDA Funds") to go toward the Company's construction of a manufacturing facility in the City that will produce and package salsas and related products (the "Ol' Gringo Chile Company Project" or "Project") and will create 10 new direct jobs by December 31, 2018;

C. The City has adopted Ordinance No _____ finding that the Company is a "qualifying entity" and the Project is an "economic development project" as those terms are defined by LEDA, and approving this Project Participation Agreement (this "Agreement") as meeting the requirements of LEDA.

2. The LEDA Funds.

The State has dedicated $25,000.00 in LEDA Funds for use in the Project. The Company may request the disbursement of up to $25,000.00 during the period beginning January 1, 2016 and ending December 31, 2016 (the "Disbursement Period"). The City will direct the LEDA Funds to the Company for use in the Project in the following manner:

A. The Company may submit to the City a request for disbursement of the LEDA Funds to reimburse the Company for expenses in connection with the Project, with documentation substantiating such expenses (collectively, a "Disbursement Request").

B. The City will coordinate with the New Mexico Economic Development Department ("NMEDD") to cause the State to deliver the LEDA Funds to the City in a timely manner and to ensure that the LEDA Funds are available for the Project. LEDA Funds will be expended for reimbursement of Project expenses only and cannot be advanced to the Company. The City will have no obligation to expend any City funds

to make disbursements to the Company pursuant to this Agreement, and the City will only be required to disburse funds to the Company to the extent that the City receives the LEDA Funds from the State.

C. The City may not offset any internal costs or overhead charges for review or processing of the Disbursement Requests against the Disbursement Request or the LEDA Funds.

3. Substantive Contribution from the Company.

The Company will make the following substantive contributions:

A. Project Contribution. The Company anticipates making capital investments in the Project and costs associated therewith [including, for the acquisition of equipment, tangible personal property and services associated with the acquisition, construction and equipping of the Project to be located at 1447 Certified Place, Building A, Suite 1 in Las Cruces (the "Facility")] in the amount of approximately $125,000.00 by December 31, 2016 (the "Project Contribution"). The parties acknowledge and agree that the intent of this Agreement is to complete the Project, and that the construction of the Facility in the City that enables the Company to engage in its manufacturing operations will satisfy this Project Contribution. Although the Company intends to have a long-term presence in the City, for the purpose of the contractual obligations of this Agreement, the Company covenants to continue to operate the Project until December 31, 2018.

B. Job Commitment. It is the Company's intention to retain current employment and create 10 new direct jobs at the Facility by December 31, 2018 (the "Job Target"). "Job" means a permanent, full-time employment position offering the employee the full range of benefits offered to other Company full-time employees.

4. Clawbacks.

The clawback provisions of this Section ("Clawbacks") are intended to be the exclusive remedies with respect to any breach of this Agreement caused by the occurrence of any of the events described in this Section.

A. Facility Closure Clawback. If the Company ceases operations at the Facility in the City on or before December 31, 2018, the Company will repay to the City all LEDA Funds that the Company actually received from the City as of that date (the "Facility Closure Clawback").

B. Performance Clawback. If the Company does not achieve the Job Target set forth in Section 3(b) of this Agreement by December 31, 2018 (the "Job Target Date"), the Company shall make a penalty payment to the City (the "Performance Clawback") which will be calculated in the manner specified in the table below:

Portion of Job Target Achieved as of December 31, 2018	Performance Clawback Amount
8-10 jobs	No Performance Clawback Required
6-7 jobs	10% of LEDA Funds received
4-5 jobs	30% of LEDA Funds received
Less than 3 jobs	60% of LEDA Funds received

If the Company has been required to pay the Facility Closure Clawback, the Company will not be required to pay any Performance Clawback that may come due after the date of such payment.

C. Job Target Date Reporting Requirement. For the purposes of determining compliance with Section 4 above, the Company will provide to the City a copy of the Company's Form ES-903, filed with the New Mexico Department of Workforce Solutions and such other data and information on its workforce that is reasonably necessary for the City or its independent contractor to determine whether the Company has met its Job Target obligations under this Agreement. The Company will provide the City with semi-annual copies of certain of its most recent Form ES-903 report no later than May 1 and November 1 of each year commencing on May 1, 2016 and ending on November 1, 2018.

D. Maximum Clawback. In no event will the Company be required to pay more than the total amount of all LEDA Funds that the Company actually receives, for all Clawbacks in the aggregate.

5. Security.

No later than the day prior to the date on which the Company receives its disbursement of LEDA Funds, the Company will provide the City with a guarantee in a form acceptable to the NMEDD (the "Guarantee"). The maximum obligation secured by the Guarantee (the "Maximum Obligation") will be $25,000.00 as of the date the Guarantee is granted. Provided that the Company has not been required to pay any Clawback, the Guarantee will terminate on January 1, 2019. If the Company does not draw the entire amount of the LEDA Funds available upon the expiration of the Distribution Period, the Maximum Obligation will be reduced proportionately to reflect the actual amount of LEDA Funds actually received.

6. Force Majeure.

Neither party shall be liable to the other party for any failure to perform any provisions or obligations of this Agreement if such failure is caused by or results directly or indirectly from Force Majeure. If a Force Majeure occurs, the City and Company will work in good faith to determine how to address the impact of the Force Majeure on each party's obligations under this Agreement.

7. Dispute Resolution.

The parties will work in good faith to resolve any disputes that arise hereunder, and will submit to mediation with a neutral mediator prior to filing any litigation in relation to this Agreement.

8. Notice.

All notices or other written communications, including requests for disbursement, that are required or permitted to be given pursuant to this Agreement must be in writing and delivered personally, by a recognized courier service, by a recognized overnight delivery service, by fax, by electronic mail, or by registered or certified mail, postage prepaid, to the parties at the addresses shown below. If notice is mailed, it will be deemed received on the earlier of actual receipt or on the third business day following the date of mailing. If a notice is hand-delivered or sent by overnight delivery service, it will be deemed received upon actual delivery. If any written notice is sent by facsimile or electronic mail, it will be deemed received upon printed or written confirmation of the transmission. A party may change its notice address by written notice to the other party to this Agreement.

The initial notice addresses for the parties are as follows:

If to the City:

City of Las Cruces
Attention: Economic Development Coordinator
PO Box 20000 Las Cruces NM 88004
700 N Main Street Las Cruces, New Mexico 88001
(575) 541-2286

If to the Company:

Andele's Tortillaria de Mesilla, LLC, dba Ol' Gringo Chile Company
Attention: Rachel Schneider
407 N. Archuleta Road
Las Cruces, NM 88005
(575) 525-1542

9. Ratification.

The City and the Company hereby ratify all actions consistent with this Agreement that they or their respective agents may have taken in furtherance of the Project.

10. Miscellaneous.

This Agreement binds and inures to the benefit of the City and the Company and their respective successors and permitted assigns. This Agreement may not be assigned without the written consent of the non-assigning party and the NMEDD. This Agreement may be amended or modified, and the performance by any party of its obligations under this Agreement may be waived, only in a written instrument duly executed by both parties. This Agreement may be executed in any number of counterparts, each of which is an original and all of which taken together constitute one instrument. This Agreement is governed by and is to be construed in accordance with the laws of New Mexico applicable to agreements made and to be performed in New Mexico.

In witness whereof, the parties hereto set their hands as of the date first appearing above.

CITY:
City of Las Cruces

By _____
Robert Garza
City Manager

PROJECT PARTY:
Andele's Tortillaria de Mesilla, LLC, dba Ol' Gringo Chile Company

By_____
Andrea Schneider
Owner/CEO

APPROVED AS TO FORM:

ACTING City Attorney

EXHIBIT "B"

INTERGOVERNMENTAL AGREEMENT BETWEEN THE NEW MEXICO ECONOMIC DEVELOPMENT DEPARTMENT AND CITY OF LAS CRUCES

This Intergovernmental Agreement ("Agreement") is entered into as of the date of the last signature affixed below by and between the New Mexico Economic Development Department ("EDD") and City of Las Cruces ("City"), and collectively referred to as "the Parties" with reference to the following facts.

SECTION 1. RECITALS:

WHEREAS, the New Mexico State Legislature enacted Laws 2014, Chapter 63, Section 5, Subsection 33 which appropriated ten million dollars ($10,000,000) to EDD "[f]or economic development projects pursuant to the Local Economic Development Act" (the "Appropriation"); and

WHEREAS, the purpose of the Local Economic Development Act, NMSA 1978 §§ 5-10-1 through 5-10-13 (2007) ("LEDA"), is to provide "public support for economic development to foster, promote and enhance local economic development efforts..."; and

WHEREAS, the City has adopted LEDA by Ordinance No. 2697, which established the Las Cruces Local Economic Development Plan 2013 that promotes economic development within the City; and

WHEREAS, Andele's Tortillaria de Mesilla, LLC dba Ol' Gringo Chile Company (hereinafter "Qualifying Entity") has entered into a Local Economic Development Project Participation Agreement (hereinafter "PPA") with the City and, pursuant to the terms of that PPA, the Qualifying Entity will materially participate by providing the following services to the Project:

> The Qualifying Entity will construct and equip a new manufacturing facility on land in the City that will manufacture and package salsa and related products (the "Project") and will create 10 new full-time positions by December 31, 2018. A copy of the PPA is attached hereto as Exhibit A; and

WHEREAS, EDD and the City desire to enter into this Agreement as necessary to facilitate disbursement of funds for the Project.

NOW THEREFORE, the Parties do hereby agree to the following terms and conditions to accomplish the Project.

SECTION 2. PURPOSE OF AGREEMENT:

The purpose of this Agreement is to place the primary responsibility on the City for overseeing and administering the $25,000.00 of the Appropriation granted for the Project. It is the intent of the Parties that EDD will transfer an amount not to exceed $25,000.00 from the Appropriation to the City for expenditures made to implement the Project. The Parties agree that any and all State funds received by the City will be accounted for by City as the fiscal agent for EDD in accordance with the procedures the City will use to account for its own funds and property. The Parties further agree that any properties acquired or developed by the City as a result of implementation of the Project will be used by the City for economic development purposes only.

SECTION 3. SCOPE OF WORK:

The City will act as fiscal agent for $25,000.00 of the Appropriation for the Project. Pursuant to Section 5-10-3(D) of LEDA, EDD will transfer $25,000.00 to the City for capital costs and expenses associated with the Project. In exchange for the contribution, the Qualifying Entity has agreed that it will create 10 new full-time jobs by December 31, 2018. All the terms, conditions, and requirements set forth under the PPA are incorporated into this Agreement by reference. EDD and the City agree that failure of the Qualifying Entity to create the number of new full-time jobs described in Section 4(B) of the PPA or otherwise meet its obligations set forth under the PPA will result in a violation of the terms and conditions of the PPA. Such violation will require that the City foreclose on the security interest after any cure period granted to the Qualifying Entity. Any monies recovered by the City as a result of the sale or foreclosure of the security interest shall be returned to EDD within 30 days. The Qualifying Entity will deliver to the City contemporaneously with the execution of the PPA a _____, which will be incorporated into this Agreement as Exhibit B.

SECTION 4. CITY OF LAS CRUCES RESPONSIBILITIES:

The City shall:

1. Pay the costs and expenses incurred for the Project from the Appropriation;
2. Provide to EDD supporting documentation in a format acceptable to EDD for activities associated with the Project;
3. Notify EDD in writing of any default by the Qualified Entity within 10 days of the event

of default;

4. Serve as fiscal agent for the funds transferred to it under this Agreement;

5. Complete all of the following goals identified in this Agreement within the time limits agreed upon by the Parties:

- Distribute the funds transferred to the City by EDD to the Project;
- Account for receipts and disbursements of said monies;
- Provide EDD with the required financial documentation pertaining to this disbursement; and
- submit all required and reasonably requested documentation to EDD including the endorsed LEDA Ordinance approved by the City Council accepting the Project as a qualifying entity for LEDA, with the accompanying endorsed Project Application and PPA entered into by the City and the Qualifying Entity, a fully executed copy of the security interest, and copies of invoices and other documentation as required by EDD within the time required;

6. Not impose any obligations on EDD with respect to the administration of this Project, other than the reimbursement of funds described in this Agreement; and

7. Initiate and prosecute litigation to enforce the terms of the PPA, if necessary; and

8. Monitor job creation by the Qualified Entity and report the number of jobs created twice yearly to EDD for a period of three years following completion of the Project. Job reports shall include a copy of FORM-903 provided by the Qualified Entity to the City, on file with the New Mexico Department of Workforce Solutions.

SECTION 5. CITY CERTIFICATIONS:

As Fiscal Agent, the City hereby assures and certifies that:

1. It will comply with all applicable State laws, regulations, policies, guidelines and requirements with respect to the acceptance and use of State funds;

2. It has the legal authority to receive and expend the funds;

3. It will enforce the provisions of Ordinance No. _____ approving the Project and Ordinance No. 2697 approving the Las Cruces Local Economic Development Plan 2013;

4. It has exercised due diligence in certifying that the Project is a viable economic development initiative with potential long term economic development benefits;

5. It will provide to EDD upon request all documentation and references to expertise it has relied upon in approving this Project upon receipt thereof or reliance thereupon and also with copies of all reports and documentation City receives from the Qualifying Entity;

6. It has entered into a PPA with the Qualifying Entity and has obtained all financial documentation necessary to protect the City's and State's investments in the Project;

7. It shall not at any time during the life of this Agreement convert any property acquired or developed pursuant to this Agreement to uses other than those within the Project description as defined herein;

8. It will notify EDD of any default on the part of the Qualifying Entity within 10 days of the event of default and shall provide the Qualifying Entity an opportunity to cure any default in accordance with the PPA prior to termination thereof;

9. It will comply with the State Procurement Code and local procurement codes and will keep files of all related procurement documents, including but not limited to requests for professional services, advertisements, minutes of pertinent meetings, selection and award criteria, contacts, subcontracts and agreements;

10. No member, officer or employee of the City or its designees or agents, no member of the governing body of the locality of which the program is situated, and no other public official that exercises any functions or responsibilities with respect to the Project during his/her tenure, or for one (1) year thereafter, shall have any interests, direct or indirect, in any contract or subcontract, or the process thereof, for work to be performed in connection with the Project that is the subject of this Agreement. The City shall incorporate in all contracts or subcontracts a provision prohibiting such interest pursuant to this certification; and

11. It has complied with Article IX, Section 14, of the New Mexico Constitution known as the "anti-donation clause".

SECTION 6. EDD RESPONSIBILITIES:

EDD shall:

1. Transfer to the City an amount not to exceed $25,000.00 for costs and expenses incurred for the Project. The funds shall be used only for the purpose stated in this Agreement;

2. At its discretion, review and audit the Project if it is deemed to be necessary or desirable;

and

3. Reimburse the City for any costs associated with litigation to enforce the terms of the Guaranty, if necessary.

SECTION 7. TERM OF AGREEMENT:

This Agreement shall become effective on the date it is fully executed and shall terminate when the City submits its Final Report to EDD.

SECTION 8. LIABILITY:

No party shall be responsible for liability incurred as a result of the other party's acts or omissions. Any liability incurred in connection with this Agreement is subject to the New Mexico Tort Claims Act. The City and EDD may agree to reimburse one another under these liability provisions, subject to sufficient appropriation by the New Mexico Legislature or sufficient funds being available to the party, as determined by the party responsible for payment.

SECTION 9. DISPOSITION OF PROPERTY; RECORDS; RETURN OF SURPLUS FUNDS:

1. Property purchased under this Agreement for the Project shall remain with the purchasing party unless otherwise agreed upon.
2. The City shall keep such records as will fully disclose the amount and disposition of the total funds from all sources budgeted for the Project, the purposes for which such funds were used and such other records as EDD may require.
3. If, upon the expiration of the Project or the termination date of this Agreement, any surplus funds are possessed by City, City shall return said funds to EDD for disposition in accordance with law.

SECTION 10. STRICT ACCOUNTABILITY:

The City shall be strictly accountable for receipts and disbursements relating hereto and shall make all relevant financial records available to EDD and the New Mexico State Auditor quarterly or upon request, and shall maintain all such records for a period of six (6) years following

completion of all the records and any audits

SECTION 11. REPORTS:

The City shall submit bi-annual reports in May and November of each year during the life of this Agreement to EDD respecting direct and indirect job retention and creation attributable to the State appropriation and a Final Report to EDD either on or before the termination of this Agreement or upon final reimbursement to the City of an amount equal to all the Public Contributions, whichever occurs first. The Final Report shall contain a description of work accomplished, the methods and procedures used, a detailed budget breakdown of expenditures, a description of any problems or delays encountered and the reasons therefore, and such other information as may be requested by EDD.

SECTION 12. NOTICES; REPRESENTATIVES OF THE PARTIES:

Any notice required to be given to either party by this Agreement shall be in writing and shall be delivered in person, by courier service or by U.S. Mail, either first class or certified, return receipt requested, postage prepaid, as follows. The parties hereby designate the individuals named below as their representative responsible for overall administration of this Agreement.

To EDD:

Finance Development Team Leader
NM Economic Development Dept.
P.O. Box 20003
Santa Fe, NM 87504-5003

To City:

Economic Development Coordinator
City of Las Cruces
P.O. Box 20000
Las Cruces, New Mexico 88004

SECTION 13. AMENDMENTS:

This Agreement shall not be altered, changed or amended, except by instrument in writing executed by all of the Parties hereto.

SECTION 14. GOVERNING LAW:

This Agreement shall be governed by the laws of the State of New Mexico.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the last date of signature below,

CITY OF LAS CRUCES, NEW MEXICO

By:_____

Name:_____

City Manager

Date:_____

APPROVED AS TO FORM

By:_____

Acting City Attorney

NEW MEXICO ECONOMIC DEVELOPMENT DEPARTMENT

By:_____

Jon Barela

Cabinet Secretary

Date:_____

APPROVED AS TO FORM

By:_____

Wade Jackson

General Counsel

NEW MEXICO ECONOMIC DEVELOPMENT DEPARTMENT

LEDA- Capital Outlay

PROJECT APPLICATION Fiscal Year 2016

Ol' Gringo Chile Company

The purpose of the Plan is to identify the project area and to present the plan and the uses to which the proceeds of the LEDA funds will be put if issued. This Plan is presented to demonstrate to the City, what the public benefits of this project are and to help the City evaluate its merit in comparison to other projects submitted. The applicant and its agent will endeavor to provide the City any additional information reasonably requested.

APPLICANT INFORMATION

Legal Name	ANDELE'S TORTILLARIA DE MESILLA LLC
Trade Name (dba)	OL' GRINGO CHILE COMPANY
Project Name if different from above	
Address	407 N. Archuleta Road PO Box 567
City, State, Zip	Las Cruces, NM 88005 Mesilla, NM 88046
Phone	(575) 525-1542 office (575) 642-8888 cell
Fax	(575) 525-1542
Primary Contact Person	Rachel Schneider
Federal Tax ID #	264236799
NM State Tax and Rev. #	03160412009
City/County Business License #	City of Las Cruces 12954
NAICS Code(s)	311421 – Fruit and Vegetable Canning
This business is organized as a:	__C-Corporation __S-Corporation _X_LLC __Partnership __Proprietorship

Please attach copies of (where applicable):

____Attached___ Incorporation Papers

___n/a____ By-laws

_____ n/a_ Resumes of all principals (owners, partners, directors or officers)

A) Project Information:

A1. Description of Proposed Development, its product and its timeline.

The company manufactures salsas and sauces under brand names Ol' Gringo Chile Company, Andele, Aztec's. The products are sold in retails stores in Southern New Mexico and Colorado. It also sells nationwide via its website. The company also provides co-packing services to 12-14 other small food companies in New Mexico, Texas and Arizona.

Ol' Gringo Chile Company is relocating from its current 2,000 sf facility at 407 Archuleta St. in Las Cruces, NM to a new, 5,000 sf facility at 1447 Certified Dr., also in Las Cruces. The current facility is no longer suitable for food processing due to inadequate utilities, and limited processing and warehousing space. The added size will allow the company to attract new co-packing customers and take on larger wholesale contracts, which it has not been able to do due to the size and condition of the current facility.

Construction on the new facility began in August 2015 and is expected to be completed by December 2015. Move in date is expected to be January 2016.

A2. Provide a detailed scope of work that is specific to the funding request/award and what the funds will be used for.

Funds will be used toward tenant improvements to the new facility, including electrical and plumbing.

A3. Business Plan or detailed information such as:

- Executive Summary; Business description and history

  Ol' Gringo Chile Company was established in 1992 as a home-based business. Its original product was a Gourmet Red Chile Sauce. Several years later, the company moved to the current facility at 407 Archuleta in Las Cruces; new products under the Ol' Gringo brand were introduced and the company began offering co-packing services to other companies.

  Andele's Tortillaria de Mesilla, LLC purchased the company in March 2014 and has since started manufacturing Andele Restaurant Salsas, in addition to the company's Ol' Gringo and Aztec lines.

- Infrastructure Development/Needs
  None

- Market analysis and strategy

Expand current distribution arrangements for Ol' Gringo products at major retailers (Walmart, Lowe's and Albertsons) from Southern New Mexico (Las Cruces, Deming, Silver City, T or C and Alamogordo to statewide and West El Paso.

Expand current distribution of Ol' Gringo products with specialty food distributor DPI (Kroger Stores/Colorado) to the western region.

Systematically increase wholesale and co-packing pricing to be in-line with competitive products and services.

Develop agreements with sales agents to represent the brands to specialty and gourmet shops across the country.

Participate in trade and gift shows (Fiery Foods/ABQ and Zest Fest/Austin) to develop wholesale orders in grocery and gourmet stores.

Enhance existing website to offer a better buying experience and offer new packaging options

Open a small retail store inside the new facility to offer case sales of Ol' Gringo products.

Develop private label customers for top selling products.

Expand product offering to include dry spice mixes under the Ol' Gringo and Andele brand names.

Expand processing services to include frozen red and green chile products.

Purchase materials and supplies in bulk to achieve cost savings.

- Summary of competition

Small-scale co-packing facilities are extremely limited in the region. In additional to Ol' Gringo, there is one facility in Las Cruces, NM that provides co-packing services, but it currently does not take new customers and focuses primarily on its proprietary products. There are 5-6 other processing facilities across New Mexico and West Texas, but generally won't take on smaller customers.

- Tax Reporting Status

Registered New Mexico business, monthly

- Effect on Existing Industry and Commerce during and after Construction

Manufacturing facility will be closed for 7-10 days during the move and no processing will be conducted, although wholesale customers will still be serviced.

- Land Acquisition

Company is leasing the new facility.

- Local Purchasing

Ol Gringo Chile Co. uses local suppliers where ever possible.

- Water Conservation

New facility will allow company to be more energy efficient.

- Relocation of Individuals or Businesses

None

- Construction Schedule
  - > Target Close Date December 2015
  - > General Contract Signed - September 2014
  - > Construction Start - August 2015
  - > Construction End - December 2015
  - > New Facility Operational Date - January 2016

- Operations plan; Organizational chart

Owner: Andrea Schneider
General Manager: Rachel Schneider
Distribution: Claudio Guadian
Plant Manager: David Prelo
Kitchen Supervisor: Ivonne Sotelo
Kitchen Assistant: Nohemy Sotelo
Warehouse Assistant: Jerry Gonzales

B) Financial Information

B1. Detailed assumptions for business and proposed projects; pro-forma cash flow analysis; three year projected income statements, whichever is applicable Attached as Exhibit B1

Assumptions for business and proposed projects:

Ol' Gringo Chile Company currently operates in conjunction with Andele's Tortilleria de Mesilla, LLC and operates as a dba. The Tortilleria's primary customer is Andele Restaurant, LLC, a family-owned business.

Since purchasing Ol' Gringo Chile Company in March, 2014, the company has increased gross revenues by 40% and has raised the profile of the business by winning top honors in the state's Battle of the Salsas as the best commercially produced salsa in New Mexico for two consecutive years. The number of retail outlets that feature Ol' Gringo products has more than doubled, and three new co-packing customers have been added to the roles.

In the current facility, the company has maxed out its growth potential and has turned away multiple lucrative co-packing customers due to maxed capacity; we have not aggressively pursued larger distribution contracts because we are not capable of fulfilling larger orders in the current facilty.

B2. Financial statements with independent audits, if available, or Tax returns, for the past three years. Attached as Exhibit B2

Andele's Tortilleria de Mesilla, LLC dba Ol' Gringo Chile Company operates jointly with Andele Restaurant, LLC. The company's combined tax returns are attached.

B3. City business license number/proof or statement that registration will pursued or secured.

City of Las Cruces Business license will be secured once certificate of occupancy has been granted for the facility (per city licensing process).

The company's current business license is 12954

B4. Does the amount requested reasonably represent the money needed to complete the project?

No

B5. If a gap exists, please define/explain options being pursued or solution to fund that gap.

Funding supplied by Owner Equity for the remainder of project

B6. Provide schedule of funding commitments and any term/commitment letters

NA

B7. What is the equity investment from the applicant?

$150,000

B8. What is the collateral/security to be pledged to the funds awarded?

Lien on walk-in coolers to be purchased as a part of the project.

B9. What is the method of appraisal for stated security? Purchase Order and receipts.

Funding Type	**Source**	**Amount**
Owner Equity Investment	Andele Restaurant, LLC	$150,000
LEDA Grant funding	State of New Mexico	$25,000
Bank Loans		$0
Other Loans		$0
Other Sources		$0
	TOTAL	$175,000

C) History and Background

C1. Explain the commitment to build, operate, and/or manage the project?

Andele's Tortillaria de Mesilla, LLC purchased Ol' Gringo Chile Company in March 2014. Within five months, plans were put in motion to expand to a new facility based on the current condition of the existing building and the evident opportunities for growth. The company will be leasing a new construction site as of January 2016 which will almost triple production capacity. The company will be managed by a family member. Funding for the expansion is largely provided by owner equity.

C2. Any officers ever filed for bankruptcy?

No

C3. List Current officers and directors

Andrea Schneider

C4. Applicant or any of its officers ever defaulted on any loans or financial obligation?

No

C5. Does the applicant have any loans or other financial obligations on which payments are not current?

No

D) Community Aspects

D1. At the community level, what are the infrastructure needs, not yet in place or in process that will affect this project's application?

Project site is development ready. Permits for facility improvements have been submitted and are under review by the City.

D2. What specific incentives are being REQUESTED from the COMMUNITY?

No incentives are being requested.

D3. What specific incentives are being PROVIDED from the COMMUNITY?

No incentives are being provided.

E) Job Creation/Performance

E1. Outline the number and types of jobs to be created. See table below

E2. Outline the proposed pay scale and payroll proposed by the entity See table

Anticipated Job Creation			Number of Jobs Created		
Job Title or Type	Estimated Pay Scale	At Start-up	2016	2017	2018
Transfer current employees to new location	Average annual salary $35,000	# Current fulltime 1			
Convert part-time employees to fulltime	$16,000		3		
Administrative/Sales	$16,000		1		1
Kitchen	$16,000		1	2	1
Distribution/warehouse	$16,000		1	1	1
Total No. of Jobs Created			4.5	3	3
Total Estimated Payroll					$168,000

E3. Outline the benefits offered to the employees, including but not limited to health care and retirement?

As a small business, employees can secure healthcare through the Affordable Healthcare Act. We anticipate that the company, in partnership with Andele Restaurant, LLC may offer and independent healthcare plan in 2016.

E4. Outline any efforts being made or proposed by the applicant to employment opportunities to people within the local employment pool

Company anticipates that all new positions will be filled locally.

The company currently employs one full time plant manager (a new position in 2015) and three part-time workers. Expanding to the larger facility and cultivating new distribution and co-packing contracts will allow the company to create permanent, full time positions for existing workers who have been temporary and/or seasonal

F) Impacts (environmental, fiscal, economic, etc.)

F1. Outline any impacts to the environment, positively or negatively

Project is located within existing development and will comply with all Federal, state and local regulations. No significant environmental impact is anticipated.

F2. Status of permitting/regulatory matters needed for project

City of Las Cruces permits for remodeling and utility work at the project site are under review.

State of New Mexico Certificate of occupancy

Transfer of FDA FCE after occupancy

A review of the application and its contents will be completed by EDD and the local entity; applicant will be advised of any missing or supplemental information needed.

ATTACHMENT "B"

EXECUTIVE SUMMARY

A REPORT OF THE ECONOMIC IMPACT OF OL GRINGO IN LAS CRUCES, NM

October 19, 2015

Prepared by:
Ndem Tazoh Tazifor
New Mexico Economic Development Department
Joseph Montoya Building
1100 S. St. Francis Drive
Santa Fe, New Mexico 87505

NEW MEXICO
ECONOMIC
DEVELOPMENT DEPARTMENT

PURPOSE & LIMITATIONS

This report presents the results of an analysis undertaken by the New Mexico Economic Development Department using Total Impact, an economic and fiscal impact analysis tool developed and supported by the Austin, TX based economic consulting firm, Impact DataSource.

The Total Impact model is a customized software program licensed to the New Mexico Economic Development Department. The model includes estimates, assumptions, and other information developed by Impact DataSource from its independent research effort detailed in New Mexico Economic Development Department's Total Impact User Guide.

The analysis relies on prospective estimates of business activity that may not be realized. New Mexico Economic Development Department made reasonable efforts to ensure that the project-specific data entered into the Total Impact model reflects realistic estimates of future activity.

No warranty or representation is made by New Mexico Economic Development Department or Impact DataSource that any of the estimates or results contained in this study will actually be achieved.

IMPACT DataSource

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Introduction

This report presents the results of an economic impact analysis performed using Total Impact, a model developed by Impact DataSource. The report estimates the impact that a potential project in the Las Cruces may have on the state and local economy and estimates the costs and benefits for the state and local taxing districts over a 10-year period.

Description of the Project

Ol' Gringo Chile Company is an existing FDA registered facility in Las Cruces, NM with plans to expand to a larger, modern facility, also in Las Cruces, in January 2016. The expansion will triple the company's production and warehousing capacity. The Schneider family, who also owns Andele Restaurant, LLC and Andele's Tortillaria de Mesilla, LLC, purchased Ol' Gringo in April 2014. Ol' Gringo was started in 1992 as a home-based business and produces a line of salsas and sauces under the Ol' Gringo brand name, as well as Aztec's and Andele brands. The company also provides co-packing services for other small food companies in New Mexico, West Texas and AZ. Today, the company employees 2 full time and 3 part time/seasonal employees.

Existing & Expanded Operations

The Project under analysis represents the expansion of an existing company in the Las Cruces. The existing operations currently support 5.0 direct jobs in the community and 6.3 indirect and induced jobs. The direct workers earn $25,000 per year and the company supports $0.1 million per year in taxable sales and spending in the community. Additionally, the company supports taxable property valued at $0.1 million annually. The table below illustrates the company's economic impact over the next 10 years - including both the existing and expanded operations.

Table 1. Economic Impact of Existing and Expanded Operations Over the Next 10 Years

	Existing Operations	Expansion	Existing & Expanded Ops
Economic Output:			
Direct	$15,851,885	$29,072,803	$44,924,688
Indirect & Induced	$10,403,592	$19,080,481	$29,484,073
Total	$26,255,477	$48,153,284	$74,408,761
Jobs			
Direct	5.0	10.0	15.0
Indirect & Induced	6.3	12.6	18.9
Total	11.3	22.6	33.9
Salaries			
Direct	$1,368,715	$1,707,433	$3,076,148
Indirect & Induced	$2,015,982	$2,514,878	$4,530,860
Total	$3,384,697	$4,222,311	$7,607,008
Taxable Sales			
Direct	$693,318	$1,448,905	$2,142,223
Indirect & Induced	$601,865	$750,808	$1,352,673
Total	$1,295,183	$2,199,713	$3,494,896

The table below illustrates the company's fiscal impact - the net benefits for local taxing districts - over the next 10 years - including both the existing and expanded operations.

Table 2. Fiscal Impact of Existing and Expanded Operations Over the Next 10 Years

	Net Benefits		
	Existing Operations	Expansion	Existing & Expanded Ops
State of New Mexico	$275,879	$270,568	$546,446
Las Cruces	$35,077	$55,741	$90,819
Dona Ana County	$12,338	$23,538	$35,876
Las Cruces Public Schools	$1,156	$58,797	$59,953
Special Taxing Districts	$231	$1,075	$1,306
Total	$324,681	$409,719	$734,400

The remainder of this report will focus on only the economic and fiscal impact associated with the expanded operations.

Economic Impact Overview

The Project's operations will support employment and other economic impacts in the community. The 10.0 workers directly employed by the Project will earn approximately $17,000 per year initially. This direct activity will support 12.6 indirect and induced workers in the community earning $20,000 on average. The total additional payroll or workers' earnings associated with the Project is estimated to be approximately $4.2 million over the next 10 years.

Accounting for various taxable sales and purchases, including activity associated with the Project, worker spending, and visitors' spending in the community, the Project is estimated to support approximately $2.2 million in taxable sales over the next 10 years.

Table 3. Economic Impact Over the Next 10 Years

	Direct	Indirect & Induced	Total
Economic output generated by direct, indirect, and induced activity	$29,072,803	$19,080,481	$48,153,284
Number of permanent direct, indirect, and induced jobs to be created	10.0	12.6	22.6
Salaries to be paid to direct, indirect, and induced workers	$1,707,433	$2,514,878	$4,222,311
Taxable sales and purchases	$1,448,905	$750,808	$2,199,713

The project is not expected to result in a consequential increase in the state's population. A majority of newly hired employees would likely be current New Mexico residents. However, it is estimated that approximately 20.0% of the new direct workers may be new residents to Bernalillo County. The local population impacts may result in new residential properties constructed in the county and increase the enrollment of local public schools.

Table 4. Population Impacts Over the Next 10 Years

	Direct	Indirect & Induced	Total
Number of direct, indirect, and induced workers who will move to the County	2.0	2.0	4.0
Number of new residents in the County	5.2	2.3	7.5
Number of new residential properties to be built in the County	0.3	0.3	0.6
Number of new students expected to attend local school district	1.0	1.0	2.0

The Project is estimated to support an average of approximately $0.0 million in new non-residential taxable property each year over the next 10 years. The taxable value of property supported by the Project over the 10-year period is shown in the following table.

Table 5. Value of Taxable Property Supported by the Project Over the Next 10 Years

		The Project's Property				Total
Year	New Residential Property	Land	Buildings & Other Real Prop. Improvements	Furniture, Fixtures, & Equipment	Subtotal Nonresidential Property	Residential & Nonresidential Property
1	$9,273	$0	$8,333	$33,333	$41,667	$50,940
2	$14,188	$0	$8,500	$36,667	$45,167	$59,355
3	$19,296	$0	$8,670	$39,333	$48,003	$67,299
4	$19,682	$0	$8,843	$34,667	$43,510	$63,192
5	$20,076	$0	$9,020	$30,000	$39,020	$59,096
6	$20,477	$0	$9,201	$25,333	$34,534	$55,011
7	$20,887	$0	$9,385	$20,667	$30,051	$50,938
8	$21,304	$0	$9,572	$16,000	$25,572	$46,877
9	$21,730	$0	$9,764	$11,333	$21,097	$42,828
10	$22,165	$0	$9,959	$10,000	$19,959	$42,124

The taxable value of residential property represents the value of properties that may be constructed as a result of new workers moving to the community.

This analysis assumes the residential real property appreciation rate to be 2.0% per year. The Project's real property is assumed to appreciate at a rate of 2.0% per year. The analysis assumes the Project's furniture, fixtures, and equipment will depreciate over time according to the depreciation schedule shown in Appendix A.

Fiscal Impact Overview

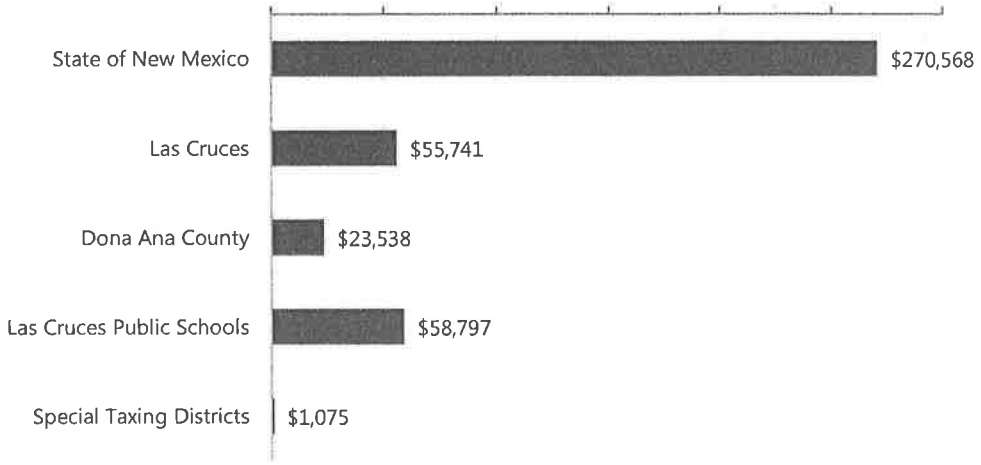
The Project will generate additional benefits and costs for local taxing districts, a summary of which is provided below. The source of specific benefits and costs are provided in greater detail for each taxing district on subsequent pages. Overall, the City will receive approximately $55,700 in net benefits over the 10-year period and the Project will generate $409,700 in total for all local taxing districts.

Table 5. Fiscal Net Benefits Over the Next 10 Years for the State and Local Taxing Districts

	Benefits	Costs	Net Benefits	Present Value of Net Benefits*
State of New Mexico	$514,150	($243,583)	$270,568	$205,316
Las Cruces	$162,143	($106,402)	$55,741	$43,015
Dona Ana County	$43,284	($19,746)	$23,538	$18,230
Las Cruces Public Schools	$116,255	($57,458)	$58,797	$44,138
Special Taxing Districts	$1,075	$0	$1,075	$842
Total	$836,908	($427,189)	$409,719	$311,542

** The Present Value of Net Benefits expresses the future stream of net benefits received over several years as a single value in today's dollars. Today's dollar and a dollar to be received at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. This analysis uses a discount rate of 5% to make the dollars comparable.*

Figure 1. Net Benefits Over the Next 10 Years for the State and Local Taxing Districts



State of New Mexico

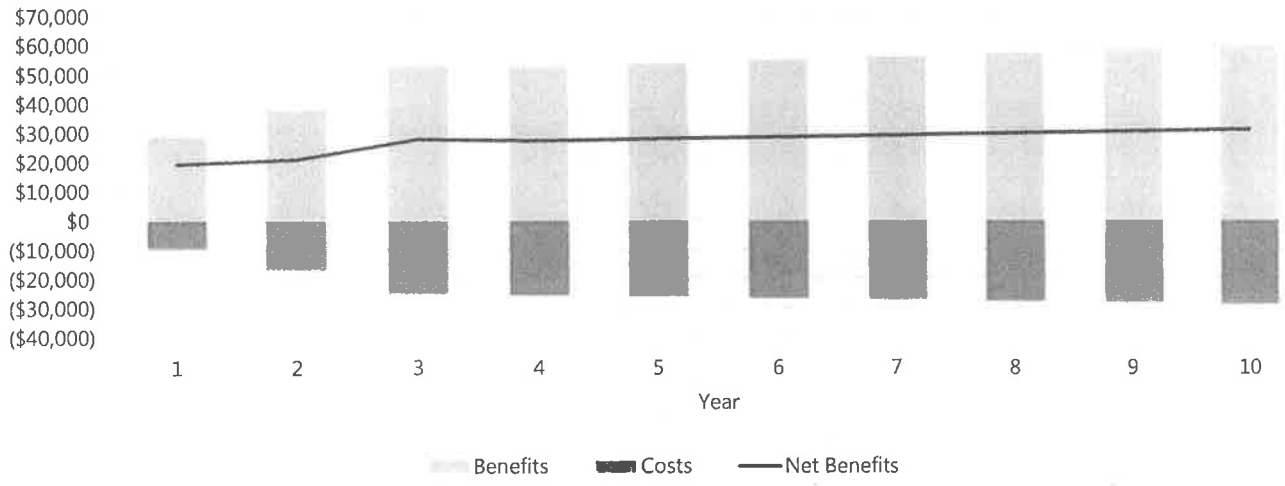
The table below displays the estimated additional benefits to be received by the State of New Mexico over the first 10 years. The project is expected to have a small effect on the statewide population and therefore some additional statewide costs to provide additional services were estimated for the state. Appendix C contains the year-by-year calculations.

Table 6. State of New Mexico: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Gross Receipts Taxes	$85,789
Real Property Taxes - Project	$124
FF&E Property Taxes - Project	$350
Property Taxes - New Residential	$257
Personal Income Taxes	$121,603
Corporate Income Taxes	$40,332
Miscellaneous Taxes & User Fees	$265,696
Subtotal Benefits	$514,150
Cost of Providing State Services	($243,583)
Subtotal Costs	($243,583)
Net Benefits	$270,568
Present Value (5% discount rate)	*$205,316*

Gross receipts taxes are estimated on new taxable gross receipts resulting from the project. Property taxes are estimated on the firm's property and new residential property constructed. Personal income taxes are estimated based on an effective income tax rate and the earnings of new direct and indirect workers. Corporate income taxes on the direct activity is based on the net taxable income projected by the company. Corporate income taxes on the indirect activity is estimated on a per indirect worker basis and the observed statewide corporate income tax collections per worker. To the extent that the project will result in an increase in new households in the state, additional miscellaneous taxes and user fees have been estimated for the state. Additionally, the costs to provide state services to these new households were also estimated based on recent state expenditure data as detailed in the Appendix.

Figure 2. Annual Fiscal Net Benefits for the State of New Mexico



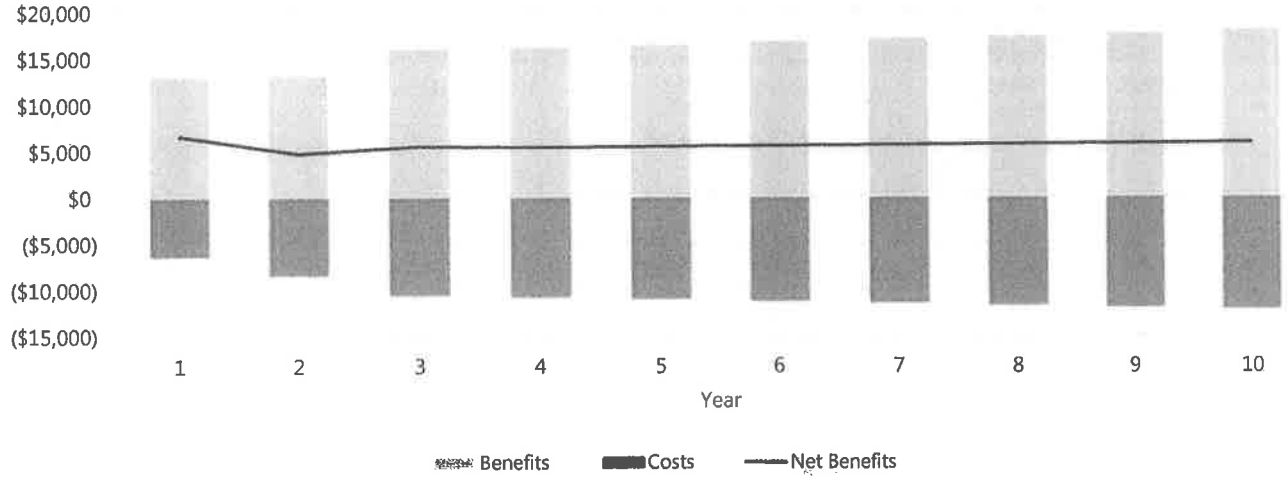
Las Cruces

The table below displays the estimated additional benefits, costs, and net benefits to be received by the City over the next 10 years of the Project. Appendix C contains the year-by-year calculations.

Table 7. Las Cruces: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Gross Receipts Taxes	$57,605
Real Property Taxes - Project	$650
FF&E Property Taxes - Project	$1,832
Property Taxes - New Residential	$1,286
Utility Revenue	$72,545
Utility Franchise Fees	$4,858
Building Permits and Fees	$50
Lodgers Taxes	$0
Miscellaneous Taxes & User Fees	$23,318
Subtotal Benefits	$162,143
Cost of Providing Municipal Services	($31,681)
Cost of Providing Utility Services	($74,721)
Subtotal Costs	($106,402)
Net Benefits	$55,741
Present Value (5% discount rate)	*$43,015*

Figure 3. Annual Fiscal Net Benefits for the Las Cruces



Dona Ana County

The table below displays the estimated additional benefits, costs, and net benefits to be received by the County over the next 10 years of the Project. Appendix C contains the year-by-year calculations.

Table 8. Dona Ana County: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Gross Receipts Taxes	$19,660
Real Property Taxes - Project	$1,089
FF&E Property Taxes - Project	$3,071
Property Taxes - New Residential	$2,560
Building Permits and Fees	$50
Miscellaneous Taxes & User Fees	$16,853
Subtotal Benefits	$43,284
Cost of Providing County Services	($19,746)
Subtotal Costs	($19,746)
Net Benefits	$23,538
Present Value (5% discount rate)	*$18,230*

Las Cruces Public Schools

The table below displays the estimated additional benefits, costs, and net benefits to be received by the school district over the next 10 years of the Project. Appendix C contains the year-by-year calculations.

Table 9. Las Cruces Public Schools: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Real Property Taxes - Project	$914
FF&E Property Taxes - Project	$2,577
Property Taxes - New Residential	$1,863
State Equalization Guarantee	$110,902
Subtotal Benefits	$116,255
Cost of Educating New Students	($57,458)
Subtotal Costs	($57,458)
Net Benefits	$58,797
Present Value (5% discount rate)	*$44,138*

Benefits for Other Taxing Districts

The table below displays the estimated additional property taxes to be received by other property taxing districts over the next 10 years of the Project. Appendix C contains the year-by-year calculations.

Table 10. Other Taxing Districts: Benefits Over the Next 10 Years

	Amount
Real Property Taxes - Project	$182
FF&E Property Taxes - Project	$515
Property Taxes - New Residential	$378
Benefits	$1,075
Present Value (5% discount rate)	*$842*

0

Overview of Methodology

This report presents the results of an analysis undertaken by the New Mexico Economic Development Department using Total Impact, an economic and fiscal impact analysis tool developed and supported by the Austin, TX based economic consulting firm, Impact DataSource.

The Total Impact model combines project-specific attributes with community data, tax rates, and assumptions to estimate the economic impact of the Project and the fiscal impact for local taxing districts over a 10-year period.

The economic impact as calculated in this report can be categorized into two main types of impacts. First, the direct economic impacts are the jobs and payroll directly created by the Project. Second, this economic impact analysis calculates the indirect and induced impacts that result from the Project. Indirect jobs and salaries are created in new or existing area firms, such as maintenance companies and service firms, that may supply goods and services for the Project. In addition, induced jobs and salaries are created in new or existing local businesses, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to new workers and their families.

The economic impact estimates in this report are based on the Regional Input-Output Modeling System (RIMS II), a widely used regional input-output model developed by the U. S. Department of Commerce, Bureau of Economic Analysis. The RIMS II model is a standard tool used to estimate regional economic impacts. The economic impacts estimated using the RIMS II model are generally recognized as reasonable and plausible assuming the data input into the model is accurate or based on reasonable assumptions. Impact DataSource utilizes county-level multipliers to estimate the impact occurring at the sub-county level.

Two types of regional economic multipliers were used in this analysis: an employment multiplier and an earnings multiplier. An employment multiplier was used to estimate the number of indirect and induced jobs created or supported in the area. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs. The employment multiplier shows the estimated number of total jobs created for each direct job. The earnings multiplier shows the estimated amount of total salaries paid to these workers for every dollar paid to a direct worker. The multipliers used in this analysis are listed below:

Multiplier		City	County	State
Employment Multiplier	(Type II Direct Effect)	1.7892	2.0523	2.2527
Earnings Multiplier	(Type II Direct Effect)	1.9279	2.2372	2.4729

Calculation of Fiscal Impact

Calculation of Revenues for the State

The state's revenues from gross receipts taxes, property taxes, personal and corporate income taxes were estimated directly using data entered about the project and state tax rates and assumptions about workers moving to the area and possibly building new property.

Impact DataSource estimated the miscellaneous taxes and user fees as a function of statewide personal income. The data used to estimate these factors were obtained from the US Census of Governments and the Bureau of Economic Analysis. Next, these percentages were applied to the total increase in workers' earnings from the economic impact calculations to determine the annual miscellaneous taxes and user fees to be collected by the state related to the permanent increase in economic activity supported by the project.

The fiscal costs associated with the project result from the portion of new worker households that relocate to New Mexico to take a job and the resulting costs to provide state services to these new residents. Impact DataSource estimated the cost of providing state services to new worker households moving to the state by applying the average per household cost of state expenditures to the estimated number of new workers new to the state.

Impact DataSource determined the marginal cost to provide state government services on per household in the state by using approximately 40% of the average cost. The data used to estimate these costs were obtained from the US Census of Governments and US Census. On average, the state incurs $5,000 in costs to provide these services to households.

Calculation of Revenues for the City

The city's revenues from gross receipts taxes, property taxes, city-owned utilities, utility franchise fees, lodging taxes, and building permits and fees were estimated directly using data entered about the project and local tax rates and assumptions about workers moving to the area and possibly building new property.

The new firm was not asked for nor could reasonably provide some data for calculating some other revenues for the city. For example, while the city will likely receive revenues from fines paid on speeding tickets given to new workers at the firm, the firm may not reasonably know the propensity of its workers to speed. Therefore, some other city revenues were calculated using an average revenue approach. This approach uses two assumptions:

1 - The city has two general revenue sources -- revenues from residents and revenues from businesses.
2 - The city will collect (a) about the same amount of other revenues from each household of new workers that may move to the city as it currently collects from an average household of existing residents, and (b) about the same amount of other revenues from the new firm (on a per worker basis) will be collected as the city collects from other businesses in the city.

Using this average revenue approach, revenues likely to be received by the city were calculated from the households of new workers who may move to the city and from the new firm using average city revenues per household and per worker calculations. These revenues are labeled as miscellaneous taxes and user fees.

The total annual city revenues used to make average revenue calculations in this analysis were obtained from the city's latest annual budget and the per household and per worker and calculations are detailed in Appendix A.

Calculation of Costs for the City

This analysis sought to answer the question, what additional monies will the city have to spend to provide services to households of new workers who may move to the city and to the firm. A marginal cost approach was used to calculate additional city costs from the new firm and its workers.

This approach uses two assumptions:

1 - The city spends money on services for two general groups -- residents and businesses.
2 - The city will spend (a) about the same amount for variable or marginal cost for each household of new workers that may move to the city as it currently spends for an average household of existing residents, and (b) about the same amount for variable or marginal costs for the new firm (on a per worker basis) as it spends for other businesses in the city.

Calculation of Net Benefits for the City

Net benefits calculated in this analysis are the difference between additional city revenues over a ten-year period and additional city costs to provide services to the new firm and its workers and indirect workers who may move to the city.

Calculation of Revenues, Costs and Net Benefits for the County
The model estimates additional revenues, costs and net benefits for the county using the same methodology described for the city relying on county budget data.

Calculation of Revenues for Public Schools
The school district's revenues from property taxes were calculated on the new residential property for some new direct and indirect workers who may move to the county and on the firm's property that will be added to local tax rolls.

However, school district revenues from state and federal funds and other local funding were calculated using an average revenue approach. This approach used the assumption that the school district will collect about the same amount of these revenues for each new student in the household of a new worker who may move to the county as it currently collects for each existing student.

Calculation of Costs for Public Schools
A marginal cost approach was used to calculate additional school district costs from the new firm and its workers. This approach uses the assumption that the school district will spend about the same amount for variable or marginal cost for each new student as it spends for each existing student.

Calculation of Net Benefits for Public Schools
Net benefits calculated in this analysis are the difference between additional school district revenues over a ten-year period and marginal costs for the school district to provide services to students in the households of new workers who may move to the county.

The school district's total annual revenues and expenses to make average revenue and marginal costs calculations in this analysis were obtained from the school district's latest annual budget.

Calculation of Property Taxes to be Collected by Countywide Special Taxing Districts
Revenues for countywide special taxing districts from property taxes were calculated on the new residential property for some new direct and indirect workers who may move to the county and on the firm's property that will be added to local tax rolls.

While each of these special taxing districts may incur additional costs from new residents and from the new firm, these additional costs were not calculated in this analysis.

About Impact DataSource

Impact DataSource is an Austin economic consulting, research, and analysis firm founded in 1993. The firm has conducted over 2,500 economic impact analyses of firms, projects, and activities in most industry groups in New Mexico and more than 30 other states.

In addition, Impact DataSource has prepared and customized more than 50 economic impact models for its clients to perform their own analyses of economic development projects. These clients include the Frisco EDC in Texas and the Metro Orlando (Florida) Economic Development Commission.

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City of Las Cruces®
PEOPLE HELPING PEOPLE

COUNCIL ACTION AND EXECUTIVE SUMMARY PACKET ROUTING SLIP

For Meeting of November 2, 2015 (Ordinance First Reading Date)

For Meeting of November 16, 2015 (Adoption Date)

TITLE: AN ORDINANCE IN ACCORDANCE WITH THE LOCAL ECONOMIC DEVELOPMENT PLAN AUTHORIZING THE CITY OF LAS CRUCES TO ACT AS FISCAL AGENT FOR A LOCAL ECONOMIC DEVELOPMENT ACT PROJECT KNOWN AS THE OL' GRINGO CHILE COMPANY PROJECT.

Purchasing Manager's Request to Contract (PMRC) {Required?} Yes ☐ No ☒

DEPARTMENT	SIGNATURE	PHONE NO.	DATE
Drafter / Cruz Ramos Economic Development		541-2140	10/14/2015
Department Director			
Management & Budget Manager		541-2106	10/14/15
Assistant City Manager /CAO		541-2078	10/15/15
Assistant City Manager/COO			10/16/15
ACTING City Attorney			
City Clerk – Interim		x2115	10/23/15

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