

## **HUTCHINSON CITY COUNCIL POLICY - 7**

**SUBJECT: ECONOMIC OPPORTUNITY FUND GUIDELINES**

**DATE: July 30, 1996**  
**Revised: December 5, 2005**

**PURPOSE:** The purpose of the Economic Opportunity Fund shall be considered as a business incentive program to attract new business and the expansion of existing business resulting in additional job creation and private capital investment.

An eligible business who may qualify for EOF funding shall meet the same definitions as approved in the City of Hutchinson Tax Incentives for Economic Development policy.

### **DEFINITIONS:**

1. “Manufacturing articles of commerce” means engaging in the mechanical or chemical transformation of materials or substances into a new “value added” product.
2. “Research and development” means the application of science or technology to the improvement of either the process of manufacturing or manufactured products.
3. “Storing goods or commodities which are sole or traded in interstate commerce” means engaging in storage of property which may be exempt from ad valorem taxation under the provisions of Kansas statutes.

### **GROWTH ACCOUNT ECONOMIC OPPORTUNITY FUND COMMITTEE**

The Hutchinson City Council shall authorize the Mayor to establish a “**Growth Account Economic Opportunity Fund**” committee, hereinafter called “The Committee.” Such committee shall consist of:

1. The Mayor (or his or her designee)
2. The City Manager (or his or her designee)
3. The President of the Reno County Economic Development Council (or his or her designee)

The Mayor shall serve as chairperson.

## **AUTHORITY OF THE COMMITTEE**

The Committee shall review each proposal from a business candidate and then make a determination on whether the project meets the intent of the EOF incentive program.

Any project must receive unanimous approval of all three members of the Committee. NO project will be funded without unanimous approval of the Committee.

The Chairperson of the Committee shall report all actions to the Hutchinson City Council at such time agreeable to all parties.

## **DETERMINATION OF ANNUAL FUNDING ALLOCATION TO EOF**

The City Manager shall allocate any additional Growth Account funds exceeding \$700,000 annually using a weighted formula to the original four funding areas as per Ordinance No. 7036 into a fund called "THE ECONOMIC OPPORTUNITY FUND." The weighted base levels of funding are as follows:

A.	Prior 1985 Sales Tax Revenues	\$1,550,000
B.	To reduce Property Tax	2,000,000
C.	Replace Federal Revenue Sharing	500,000
D.	Growth Account	<u>700,000</u>
		\$4,750,000

Sales tax revenues from the 1% county and 1/2% city sales taxes in place since 1986 exceeding the above total of \$4,750,000 shall be allocated to each of the four original funding values. The actual funding receipt for 1995 will be used to calculate the increase for FY 1997 budgeting and likewise in future years the latest actual figures will be used to calculate the increases for budgeting purposes.

Items A-B-C will continue to be utilized to reduce property taxes. Item D will still fund \$700,000 will be transferred, 1/2 to the ECONOMIC OPPORTUNITY FUND for creation and 1/2 to the Growth Account for capital improvements.

Excess funds from the designated EOF job creation portion of the weighted funds may be carried over year to year but shall always be budgeted in the present year's budget.

## **JOB INCENTIVE CRITERIA**

- must directly create jobs and employment within the City of Hutchinson.
- must demonstrate that private capital investment is being made by the company into the community including the purchase of land and building to operate the facility within the City of Hutchinson

- the company must be willing to complete the application form the City of Hutchinson currently uses for a TAX EXEMPTION application and or to participate in the cost/benefit analysis model of the City of Hutchinson.
- must be willing to submit to a full financial and operating review of existing business activities.

## **ALLOCATION FORMULA**

### **OPTION 1. CAPITAL IMPROVEMENT**

The Committee may commit up to 1% of the amount of the actual private capital investment of the company into the project. No one project may exceed \$100,000 commitment from the ECONOMIC OPPORTUNITY FUND unless approved by the City Council.

Example: \$10,000 million capital investment in plant and equipment x 1% =  
\$100,000 EOF funds.

### **OPTION 2.**

The Committee may rebate to a qualified company an amount based on annual payroll paid to employees. The rebate may be paid on a calendar year payroll in only one of the first three years of eligibility of the EOF incentive. Verification in of total annual payroll shall be provided to the Committee.

## **REBATE FORMULA**

The Committee may commit up to 3% of the amount of the actual amount of the annual payroll dollars paid to the employees of the company in one of the first three years of eligibility.