

fifth located in Seguin. The company pays above the county average in many of its occupational sets and continues to explore ways to further attract and retain top manufacturing and assembly talent. It provides fringe benefit packages to its full-time employees that include quarterly profit sharing and retirement plan contribution matches.

ISSUE:

The proposed incentive would provide up to \$1,500,000 to Detex over up to a five-year period. The description of the proposed incentive is below and delivered in three tranches:

1. Up to \$500,000 to be reimbursed to the Company after paying to the City or New Braunfels Utilities relevant platting, permitting, building, roadway impact, water and/or wastewater impact fees assessed because of the expansion and construction project;
2. Up to \$500,000 paid to Company for the retention of employees up to a total count of 90. Up to \$1,851 per employee annually can be paid to the Company over a three-year period as long as Company maintains at least 90 full-time equivalents;
3. Up to \$500,000 will be provided to the Company if the weighted average compensation of all employees- wages including bonuses and commissions- exceeds \$36,000 at the end of year 1, \$45,000 at the end of year 2 and \$46,500 at the end of year 3. If the Company meets the weighted annual average wage threshold, it is eligible to receive a \$5,000 payment for each employee above the minimum threshold of 90. For example, if the Company has 110 employees at the end of year 1 and the weighted average compensation of the company's payroll is at least \$36,000, the Company is entitled to a \$100,000 performance grant ($110 - 90 = 20$ multiplied by \$5,000). In year 2, if the Company now has 120 employees and the weighted average compensation is \$45,000, they can receive a \$150,000 payment ($120 - 90 = 30$ multiplied by \$5,000).

FISCAL IMPACT:

Up to \$1,500,000 from the NBEDC.

If constructed, the project has a net fiscal impact to the City and NBEDC of approximately at \$1.7M over a 10 year period. The rate of return of the proposed incentive is 11.4% with a payback period of under 9 years. The project is anticipated to create 55 new positions at the company and retain the approximate 90 currently employed in New Braunfels. In addition to these full-time positions, the spinoff effects of the expansion project are anticipated to support another 114 positions in and around the community with additional company and employee spending. This brings the total job impacts to over 250 direct and indirect jobs from the retention and expansion project.

City of New Braunfels



RECOMMENDATION:

Staff recommends approval of the project expenditure.