

LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE

PERFORMANCE AGREEMENT WITH RNDG TEXAS, LLC

AGREED-UPON PROCEDURES REPORT

FOR THE PERIOD BEGINNING AUGUST 18, 2017 AND ENDING AUGUST 18, 2018

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AGREED-UPON PROCEDURES
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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Accountant's Report

To the Board of Directors and
Management of
Lubbock Economic Development Alliance

We have performed the procedures enumerated in the attached supplement, which were agreed to by you, the specified user, solely to assist you with respect to determining the amounts payable pursuant to the Performance Agreement with regard to job creation incentives only, for RNDC Texas, LLC. This agreed upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified user of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the findings as a result thereof, are enumerated in the attached supplement which is an integral part of this report.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 12, 2019

**LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE
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FOR THE PERIOD BEGINNING AUGUST 18, 2017 AND ENDING AUGUST 18, 2018**

Procedures and Results

Background:

The Lubbock City Council established the Lubbock Economic Development Alliance, Inc. (hereinafter referred to as LEDA) for the purpose of creating and retaining positions and encouraging new businesses to be established in Lubbock, Texas, to stimulate business and commercial activities. To this end, LEDA entered into a contract with RNDC Texas, LLC (hereinafter referred to as "the Company") on July 1, 2013.

The agreement provides that LEDA convey to the Company Lot 12 at the Lubbock Business Park. In exchange, the Company agrees to construct a new facility with an estimated capital investment of \$5,600,000. The Company will also establish and maintain a baseline employment level through the term of the agreement and create and maintain 51 new primary jobs over the five year measurement period beginning on August 18, 2014 and ending on August 18, 2019. The job creation over the five year period is projected as follows: Year 1 – 40 jobs; Year 2 – 3 jobs; Year 3 – 2 jobs; Year 4 – 3 jobs; and Year 5 – 3 jobs for a total of 51 primary jobs. Should the Company fail to attain the target job positions on any measurement date, the Company may be required, upon demand, to pay LEDA the sum of \$21,872.25 for each job not timely created.

Objective, Scope and Procedures Performed:

Our objective was to determine if the Company met the job creation requirements of their agreement with LEDA. A summary of the procedures used is as follows:

- Reviewed the pertinent contract.
- Reviewed employee census data indicating names, dates of hire, dates of termination, work locations and compensation as of August 17, 2014 (baseline) and August 18, 2018.
- Obtained the Texas Workforce Commissions (TWC) reports for quarters ending September 30, 2017 through June 30, 2018.
- Reviewed the TWC reports to verify annual compensation levels and to corroborate dates of hire and/or termination while comparing to employee census.

Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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Results and Conclusions:

Per our review of the above data:

- The Company had four (4) full-time Lubbock employees as of August 17, 2014 (baseline).
- The Company had forty-four (44) full-time Lubbock employees as of August 18, 2015.
- The Company had forty-seven (47) full-time Lubbock employees as of August 18, 2016.
- The Company had fifty-one (51) full-time Lubbock employees as of August 18, 2017.
- The Company had forty-four (44) full-time Lubbock employees as of August 18, 2018.

Based on the above information, the Company did not attain its target job positions for year four.

LEDA shall give written notice of such default to the Company and reserves the right to demand the sum of \$21,872.25 for each job not timely created, which amounts to \$174,978.

Based on procedures performed, there were no questions or issues raised that needed to be discussed with the Company.