

STATE OF TEXAS

§

January 21, 2008

COUNTY OF GRAYSON

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BE IT REMEMBERED THAT A Called Meeting of the Sherman City Council was begun and held in the Sherman Economic Development Corporation Board Room, 307 West Washington, Suite 102, Sherman, Texas, on January 21, 2008, when a quorum of Council Members attended the Sherman Economic Development Corporation Board Meeting.

COUNCIL MEMBERS PRESENT: Mayor Bill Magers; Deputy Mayor Chip Adami.
Council Members T. Steele, W. Steele, Wacker.

COUNCIL MEMBERS ABSENT: Council Members Hughes, Smith.

SEDCO MEMBERS PRESENT: Joe Fallon, Jr.; Andy Olmstead; Kelly Bickerstaff; Greg Kirkpatrick; Rad Richardson.

SEDCO STAFF PRESENT: John Boswell, President; Frank Gadek, Vice President;
Darlene Brown, Secretary.

GRAYSON COUNTY PERSONNEL: Drue Bynum, County Judge; Commissioner Jackie Crisp;
Commissioner David Whitlock; Keith Gary, Sheriff; Van Price,
Assistant County Attorney.

CITY STAFF PRESENT: George Olson, City Manager; Robby Hefton, Assistant City
Manager/CFO; Doreen McGookey, City Attorney; Linda
Ashby, City Clerk.

PURPOSE:

**Call to Order, Quorum Determined, Meeting Declared
Open, Recognition of Guests and Visitors**

**Presentation and Discussion from Black Knight Partners
Regarding the Grayson County Jail**

**Consider for Approval a Request from Downtown
Preservation & Revitalization for Marketing Funds**

**Consider for Approval Financial Support for the City of
Sherman's Comprehensive Master Plan**

**Consider for Approval a Contract for Water and Sewer
Services Along Highway 75**

Set a Date for a Board Training Session

Present Economic Barometer Report for December 2007

**Consider for Approval the December 10, 2007 Board
Meeting Minutes**

President's Monthly Activity Report

**Discussion of Any Topics Brought Out of Executive
Session for Discussion by the Sherman Economic
Development Corporation Board of Directors**

Adjournment

**CALL TO ORDER, QUORUM DETERMINED, MEETING DECLARED OPEN, RECOGNITION OF
GUESTS AND VISITORS**

Joe Fallon, Jr., Chairman of the Sherman Economic Development Corporation, called the meeting to order at 12:03 p.m. Mayor Magers called the Council Meeting to order at 12:04 p.m., declared a quorum present, and opened the City Council Meeting.

**PRESENTATION AND DISCUSSION FROM BLACK KNIGHT PARTNERS REGARDING THE
GRAYSON COUNTY JAIL**

Mr. Fallon introduced Larry Redell, Partner with Black Knight Partners, LP, to discuss the proposed Grayson County Jail facility. They have been asked to consider a partnership to work with Grayson County on the project.

Grayson County Judge Drue Bynum added that the Commissioners have not made a decision on the location or financing for the jail but they have asked Black Knight Partners to give them options on the project. Mayor Magers has encouraged the County to keep the jail in Sherman. The County is under pressure from the Jail Commission because of overcrowding and the dilapidated building.

Mr. Redell said the County would like a correctional facility that does not increase taxes and they also don't want to pay more per bed than they are paying now. They feel it would be possible to build a private facility with excess capacity which supplements the County's needs. They feel the project could be built in several locations, however Sherman wants to keep the facility in their community.

Mr. Redell verified that Mayor Magers had identified some property owned by the City that might be used for the jail. John Boswell, SEDCO President, has also indicated that if the facility is built in Sherman, there might be some SEDCO money available for the project. He felt this could be an important asset for the correctional facility and could reduce the per bed, per night cost for Grayson County.

Black Knight Partners need to outline the options for the County Commissioners. The Grayson County Airport and this City parcel have been discussed as possible locations for the correctional facility. Black Knight Partners does not know if the proposed location is viable so Mr. Redell suggested an agreement whereby SEDCO would contribute \$200,000 to study the location and make sure it will be viable for the jail.

He distributed a proposal to confirm the transfer of 95 acres located at the corner of Ida Road and South Dewey Avenue for the construction of a correctional facility. It also confirms SEDCO's contribution of \$2,000,000 to the project, of which up to \$200,000 would be funded initially to determine the viability of the property. He wanted to be sure both the City and SEDCO were "on board" if the project continues at the proposed location.

Mr. Fallon asked if the parcel is determined to be insufficient after a portion of the money has been spent, would the money stop at that point. Mr. Redell said that is the way it would be handled. He asked if the amount requested from SEDCO was in partnership with Black Knight Partners and if they would also be paying a portion of the project.

Mr. Redell said it would probably cost between \$1.2 million and \$1.4 million to take the project to financing. Mr. Boswell and Mayor Magers indicated that \$2 million was customary for a project of this size. Generally the contract is subject to a clawback if the project is not done. While the location is

being studied, Black Knight Partners will be putting together other critical aspects of financing. Mr. Redell predicted that the entire project would cost between \$80 million to \$140 million to build.

Mr. Fallon verified that Black Knight Partners will still do the background work no matter what location is determined. Mr. Redell said some items are site specific, but many are not.

Mr. Bickerstaff asked if SEDCO could agree to fund the first four items at a cost of \$80,000 to begin the project and possibly find any problems, then readdress funding the additional items. Mr. Redell indicated that would be okay. Mr. Richardson asked if Black Knight Partners would be providing any of the civil engineering portion of the work. Mr. Redell said they are not civil engineers and the money would not be paid to them. The project could be reconsidered at certain points in the timeline.

Mr. Kirkpatrick asked if the project would be public or private. Mr. Redell said they owe the County side-by-side comparisons on both of the proposed locations. He agreed that a decision should be made before the project continues too far.

Judge Bynum proposed that there would be a vote by the County Commissioners as to whether the project would be funded through bonds or through private financing, construction, and operation. The vote would also include the selection of a location. The more there is to offer in incentives, the cheaper the price per day will be. If the Sherman option includes a specific amount of incentive money, that will decrease the cost per day. The Commissioner's Court will then need to make a decision based on those options.

Mr. Olmstead asked what size jail they expect to build, what will the investment be, and the number of people that will be employed. He also asked if Black Knight Partners was a taxable entity or a non-profit entity. Mr. Redell said much of that is still unknown. However, they are proposing a 1,500 bed facility (the current facility has less than 400 beds), an \$80 million to \$140 million investment, and approximately 300 employees (the current facility has 85 employees). Mr. Redell said he wanted to "hold back" an answer to the question about whether they were a taxable entity or a non-profit entity because there might be ways to be "creative." They are actually a private entity, but there may be some creative financing alternatives available that might be tax free.

Judge Bynum explained that the owner of the jail would have the ability to pay taxes, however when he goes out to get his money, he may be able to get it as a tax free entity. Mr. Redell said additional work is needed to determine what financing is actually available. Mr. Olmstead said the project must benefit the citizens of Sherman. Mayor Magers agreed adding that keeping the jail in Sherman benefits the citizens in many different ways. He asked if there was a potential that the new jail would not pay property taxes or would it possibly receive tax free financing but would be a tax paying entity to pay property taxes. The City will also collect water and sewer revenue and employment benefits from locating the jail in Sherman.

Mayor Magers thanked SEDCO for supporting the sales tax election in November of 2007. Working together, the City and SEDCO have done amazing things such as lower taxes, add infrastructure to Highway 75, and expanded water along Highway 82 to Highway 289. He felt it was now important to work together to keep Sherman's legal and judicial infrastructure in Sherman, the County seat of Grayson County, and work to expand that infrastructure. He added that Grayson County will be sharing the Federal Court House with Collin County, and he felt Grayson County might be at a disadvantage.

The City Council attended the SEDCO Meeting to share information and try to keep the jail in Sherman so as to not encourage relocation of other judicial services. He felt the current options for a jail were to keep it where it is, to locate it on the City's tract, to locate it at Grayson County Airport, or to move the jail somewhere else in Grayson County. He felt Sherman was the best option and he wanted to keep it at its present location. Ideally the current facility could either grow upward or toward the west. He has been told these are not viable options.

Sherman has 95 acres next door to the Animal Shelter and near the Wastewater Treatment Plant. The property is valuable, has utilities, access to State highways, access to airports, and a jail facility would be a good use for the land. Keeping the jail in Sherman would keep jobs in Sherman, grow a business, and provide utility income. Mayor Magers expressed the City Council's desire to keep the jail in Sherman.

Mr. Bickerstaff asked if the City already had a survey on the proposed location that could be used for this project. George Olson, City Manager, said there was a survey but there was not an environmental study.

Brett Graham, citizen, asked about any timeline that might apply to the project. Sheriff Keith Gary said the County is 2½ years into a variance that was granted to them to allow three people in a two person cell or two people in a one person cell. This allowed the County to gain 49 beds. The variance was allowed until additional space could be constructed. Sheriff Gary said they have repeatedly asked for extensions on the variance. Last time they requested an extension, they were told the variance would expire in August 2008 and no additional extensions would be granted. If the County starts sending 49 inmates outside the County to be housed, it would cost \$786,000 annually.

Judge Bynum said he and the Sheriff will need to appear before the Jail Standards Board in May 2008 and they need to show some kind of action plan. This means they need some type of decision by the end of the month to allow the project to move forward. He added that the State is tired of hearing Grayson County talk and they need to see some action. Mr. Bickerstaff confirmed that a commitment of land and money would help.

CONSIDER FOR APPROVAL A REQUEST FROM DOWNTOWN PRESERVATION & REVITALIZATION FOR MARKETING FUNDS

SEDCO considered a request from Mary Trantham, Sales Representative of Texoma Living Magazine, for marketing funds to promote shopping in the downtown area. Options presented include advertising four times per year with a two-page spread for \$13,800 or advertising four times per year with a four-page spread for \$23,460. The magazine is generally marketed in Sherman. Mr. Boswell said SEDCO is allowed to spend no more than 10% of their total revenue for promotional purposes.

Mr. Richardson questioned paying to advertise for only one shopping area in Sherman. He felt the other areas would also request marketing fees if they did that.

Mr. Bickerstaff asked if DSP&R had a budget. Council Member Wacker said they receive \$10,000 annually from Hotel/Motel Tax and their total budget is approximately \$22,000. Mr. Fallon said SEDCO's mission is to attract and retain primary employers and he did not feel this request supported that mission.

ACTION TAKEN.

Motion by Mr. Bickerstaff not to contract with Texoma Living Magazine for advertising for Downtown Sherman Preservation & Revitalization. Second by Mr. Richardson.

VOTING AYE: Fallon, Bickerstaff, Kirkpatrick, Olmstead, Richardson.

VOTING NAY: None.

MOTION CARRIED.

CONSIDER FOR APPROVAL FINANCIAL SUPPORT FOR THE CITY OF SHERMAN'S COMPREHENSIVE MASTER PLAN

Mr. Boswell said the City of Sherman is preparing to update their Comprehensive Master Plan and SEDCO has been asked to contribute \$50,000 for the inclusion of an economic development component to identify potential weaknesses. He felt the request was within the mission of SEDCO and would provide a tool that they could use. The economic development component will be new to the Master Plan, as well as a new drainage study.

Members asked if the focus of this study was different from the focus of a recent study by the Texoma Council of Governments. The focus is only for Sherman. Once completed, Mr. Bickerstaff verified that the plan will be available for SEDCO's use.

Mayor Magers added that the entire Comprehensive Master Plan will cost \$300,000. The requested \$50,000 is only for the one economic development component. Robby Hefton, Assistant City Manager/CFO, explained that TIP Strategies will be providing the study and they have a lot of experience in this area. The study will provide a practical plan to be used to improve activities for both the City and SEDCO. The entire Master Plan as well as a new GIS system will help both SEDCO and the City with planning efforts.

ACTION TAKEN.

Motion by Mr. Bickerstaff to approve the \$50,000 request by the City of Sherman to facilitate the economic development component of the City of Sherman's Comprehensive Master Plan.
Second by Mr. Olmstead.

VOTING AYE: Fallon, Bickerstaff, Kirkpatrick, Olmstead, Richardson.

VOTING NAY: None.

MOTION CARRIED.

CONSIDER FOR APPROVAL A CONTRACT FOR WATER AND SEWER SERVICES ALONG HIGHWAY 75

Mr. Boswell said SEDCO has previously approved supporting the request from the City of Sherman for \$3.7 million for the project to construct water and sewer along Highway 75 to Highway 691. The motion at that time was subject to financing and recoverables. Attorney John Hunter Smith has reviewed the proposed contract.

The contract includes how the project will be financed, which will be through 20 year bonds through the City of Sherman. SEDCO will pay for the bonds at \$281,544, which has already been approved by SEDCO. The recoverables will include tap fees that will cover approximately 15% of the cost of the capital expenses for the project. The tap fees will not be recovered by SEDCO, but by the City of Sherman.

Mr. Hefton explained the use of tap fees and pro rata fees to recover approximately 15% of the cost. Normally there is one line that can be tied onto, however since the highway separates the area, there is a line on both the east and west side of the highway. This already "cuts in half" the amount that would normally be collected. Since the fee is not an impact fee, there is a formula to determine the recovery fee and it is a cost per linear foot on both water and sewer.

Engineering work has already begun on the water line. Mr. Olson said the bid should be awarded in June or July 2008 and construction should be completed by the Fall of 2008 or first quarter of 2009.

ACTION TAKEN.

Motion by Mr. Olmstead to approve the contract for water and sewer services along Highway 75.
Second by Mr. Richardson.

VOTING AYE: Fallon, Bickerstaff, Kirkpatrick, Olmstead, Richardson.

VOTING NAY: None.

MOTION CARRIED.

On Motion duly made and carried, the Open Meeting recessed and reconvened in Executive Session for SEDCO Members at 1:15 p.m.

ADJOURNMENT

There being no further business to come before the City Council, motion was duly made and approved to adjourn the Called Meeting at 1:15 p.m.

MAYOR

ATTEST

CITY CLERK