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October 3, 2011

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BE IT REMEMBERED THAT A Joint Meeting of the Sherman City Council and the Sherman Economic Development Corporation was begun and held in the City Council Chambers on October 3, 2011.

COUNCIL MEMBERS PRESENT: Mayor Bill Magers; Deputy Mayor Willie Steele.
Council Members Adami, Howeth, Smith, Softly, Wacker.

COUNCIL MEMBERS ABSENT: None.

SEDCO MEMBERS PRESENT: Todd Thompson, Juston Dobbs, Rad Richardson, Dean Gilbert, Jr., Chris Pendergrass, Al Hambrick (Ex-Officio), George Olson (Ex-Officio), Robby Hefton (Ex-Officio).

SEDCO MEMBERS ABSENT: None.

CITY STAFF PRESENT: George Olson, City Manager; Robbie Hefton, Assistant City Manager/CFO; Brandon Shelby, City Attorney; Don Keene, Executive Director – Planning and Public Works; Pam Cloer, Assistant to the City Manager; Linda Ashby, City Clerk.

SEDCO STAFF PRESENT: Frank Gadek, Executive Vice President; Darlene Brown, Administrative Assistant.

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

SEDCO WORK PROGRAM 2011-2012
Executive Vice President's Presentation of the 2011-2012 Work Program

SEDCO WORK PROGRAM 2011-2012
City Council to Discuss and Consider Approval of the SEDCO Work Program 2011-2012

SEDCO BUDGET 2011-2012
Executive Vice President's Presentation of the SEDCO Budget 2011-2012

SEDCO BUDGET 2011-2012
City Council to Discuss and Consider Approval of the 2011-2012
SEDCO Budget

OTHER BUSINESS

ADJOURNMENT

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

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Mayor Magers called the meeting to order at 5:35 p.m., declared a quorum present, and opened the City Council Meeting. Todd Thompson, Chairman of the Sherman Economic Development Corporation, declared a quorum present, and opened the SEDCO Meeting.

SEDCO WORK PROGRAM 2011-2012

EXECUTIVE VICE PRESIDENT'S PRESENTATION OF THE 2011-2012 WORK PROGRAM

Current Work Program Results 2010-2011

Frank Gadek, Executive Vice President, presented an overview of the 2010-2011 work program results.

There were six goals during the work program including retain and expand existing primary employers; recruit targeted national and international primary employers; develop a strategy to recruit targeted large water users; develop a strategy to recruit Dallas area businesses; promote and enhance a quality of place; and raise SEDCO's profile in local, statewide, national, and international markets.

Mr. Gadek said efforts through SEDCO resulted in five expansion projects, three at GlobiTech, one at Sunny Delight, and one at Progress Rail, with total capital investments of \$74 million, 324 retained jobs, 52 new jobs, and \$3.68 million in incentives. Two new industries relocated to Sherman resulting in \$9.52 million in capital investments, 29 new jobs, and \$475,400 in incentives.

They also implemented a new marketing strategy to target large water users which resulted in 360 companies receiving a direct mail piece, and appointments for three site visits. A direct mail campaign targeted 74 Dallas area businesses and resulted in the scheduling of two appointments. Five projects, including a water and sewer extension, road improvements, infrastructure upgrades, and a fire station study helped expand Sherman's tax base and create new jobs. Steps were also taken to increase SEDCO's visibility with other entities.

Deputy Mayor Steele verified that two new companies, American Memorial Restoration and Alpha, relocated to Sherman, resulting in 29 new jobs. Mr. Gadek added that they expect expansion from both Alpha and Sunny Delight in the future.

Mr. Gadek said the benchmarks have been established in the current plan and the upcoming work plan will expand on those numbers. He also outlined additional projects that contributed to SEDCO's mission, including an economic impact analysis for each project, a promotional agreement with Austin College for the IDEA Center, the purchase of property for Sunny Delight, a land option agreement with Panda Power Funds, a grant to extend a fiber link for Grayson County, the purchase of property on Howe Drive, and the lease of the Sherman Youth Center.

He also identified several actions that were not completed and have been rescheduled or remain as part of the 2011-2012 proposed work plan.

Mayor Magers said the economic impact analysis that was begun this year means that SEDCO is now looking at every tax dollar spent on investment from a financial standpoint. Grayson County College also will not consider a tax abatement unless they have this financial information.

He added that Panda Energy had an option on land in the Blalock Industrial District at basically no charge. SEDCO decided that if they were tying up that much acreage, then Panda Energy needed to pay the difference between the discounted value and the worth. They now have an option on the land for approximately \$80,000 for the next three years. SEDCO is ensuring that companies benefiting from the incentives are also paying their way.

Proposed Work Program 2011-2012

Mr. Gadek presented the proposed work program for 2011-2012. Goals for the upcoming year include:

- Retain and expand existing primary employers

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2 to 4 projects; \$50 million capital investment; 25-100 new jobs; 75-200 retained jobs; \$15 average wage rate

- Recruit targeted national and international primary employers
2 to 3 primary projects; \$10 million to \$40 million capital investment; 20-100 new jobs; \$15 average wage rate
- Expand strategy to recruit targeted large water users
1 to 2 projects with a water usage of at least 700,000 gallons per day
- Expand strategy to recruit Dallas area businesses
1 to 3 retail / commercial projects; \$1 million to \$5 million capital investment; \$12 average wage rate
- Promote and enhance a quality of place
Enhance SEDCO's ability to expand the tax base and increase jobs by identifying and participating in the funding of community infrastructure projects to create an investment environment for attracting primary employers and other businesses
- Raise SEDCO's profile in local, statewide, national, and international markets
Consider plans to renovate the Sherman Youth Center; \$500,000

SEDCO WORK PROGRAM 2011-2012

CITY COUNCIL TO DISCUSS AND CONSIDER APPROVAL OF THE SEDCO WORK PROGRAM 2011-2012

Council Member Adami said in last year's work plan, the Council reviewed very specific things to fund on the downtown level. The plan includes the completed traffic study for Travis Street. He asked about participation from SEDCO and wanted to encourage communication between the entities. Mr. Gadek said SEDCO would consider any projects the City Council puts before them.

ACTION TAKEN.

Motion by Council Member Wacker to approve the SEDCO Work Program for FY 2011-2012, as presented. Second by Council Member Howeth.

VOTING AYE: Adami, Howeth, Smith, Softly, Steele, Wacker.

VOTING NAY: None.

MOTION CARRIED.

SEDCO BUDGET 2011-2012

EXECUTIVE VICE PRESIDENT'S PRESENTATION OF THE SEDCO BUDGET 2011-2012

Mr. Gadek presented a proposed budget for SEDCO for 2011-2012. SEDCO is forecasting a 1.93% increase in sales tax revenue for the upcoming year, which would be \$2,871,359. Revenue from the Panda Land Agreement is estimated at \$85,333 and interest revenue is \$75,000. The budget is flat as compared with last year's budget.

Operating expenses and program expenses are projected slightly below last year's budget. The incentive payout schedule lists \$6.8 million in contracted payouts. Mr. Gadek said at this point, it appears that of that amount, \$4 million will not be paid out. This incentive was for Phase 2 of the Certainteed project which was a 120,000 square foot residential insulation plant. They still have until December of 2011 to contact SEDCO regarding Phase 2.

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There is another \$75,000 project that may not materialize either. If those incentives are not paid out the money will move to the Unreserved Fund Balance. Currently there is no Unreserved Fund Balance based on this budget.

SEDCO BUDGET 2011-2012

CITY COUNCIL TO DISCUSS AND CONSIDER APPROVAL OF THE 2011-2012 SEDCO BUDGET

Council Member Smith verified that the capital expense line item increased so much because \$500,000 was plugged in for the Youth Center. Council Member Adami asked if any plans had been developed for the Youth Center yet. Mr. Gadek said this month they will meet with the architect to develop space plans and will begin the planning process. A proposed budget will then be presented to the SEDCO Board.

Mr. Thompson added that since the Youth Center is a City-owned facility, they would look for input from the City Council and the citizens on any proposals that are made. They would like for the facility to house smaller meetings and other organizations that would enhance the attraction of businesses and be a gateway to downtown.

Council Member Adami asked about the changes in the marketing/attraction line item and the contract services line item. Contract services include costs for the "headhunter" for the President's search. Mr. Gadek said SEDCO can use up to 10% of their revenue for marketing and attraction, however he did not identify the total amount for the line item. If it becomes necessary, a budget amendment can be used to add additional funding to that line item.

Council Member Adami asked if SEDCO also faced the unreserved fund balance issues that the City did. Robby Hefton, Assistant City Manager/CFO, said when the Comprehensive Annual Financial Report is presented, it will need to use the same methodology as used by the City. Administratively they may have to adopt a similar fund balance policy like the City did recently. Because they don't know about their \$4 million in incentive payouts, Mr. Hefton said the safe thing to do would be to set a minimum, but that money would probably be returned to the unreserved fund balance.

Council Member Adami asked if it presented a problem for the City since they had to report SEDCO on the City's books. Mr. Hefton said "no" because they will be slightly different than the City. They will have a huge amount restricted for economic development purposes.

Mayor Magers said the operating expenses were reduced by 5.49% and that is a result of an on-going review of the expenses by the Board. He felt the Board had done a good job of "culling out some of the less successful programs."

Council Member Adami said he was pleased to see that capital expenses included a budget for making the leased building a gateway to the City.

Mayor Magers said last year the Council asked for specific measurable outcomes from SEDCO so they would have a way to measure their goals. He said there is now a measurable outcome and he appreciated SEDCO's service.

ACTION TAKEN.

Motion by Council Member Adami to approve the SEDCO Budget for FY 2011-2012, as presented. Second by Council Member Wacker.

VOTING AYE: Adami, Howeth, Smith, Softly, Steele, Wacker.

VOTING NAY: None.

MOTION CARRIED.

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OTHER BUSINESS

There was no other business to come before the City Council or the SEDCO Board.

ADJOURNMENT

There being no further business to come before the City Council or the Sherman Economic Development Corporation, motion was duly made and approved to adjourn the Joint Meeting at 6:04 p.m.

MAYOR

ATTEST

CITY CLERK