

STATE OF TEXAS §
COUNTY OF GRAYSON §

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 September 23, 2010.

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

COUNCIL MEMBERS ABSENT: None.

SEDCO MEMBERS PRESENT: Gregory Kirkpatrick, Rad Richardson, Todd Thompson, Kelly Bickerstaff, Juston Dobbs.

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; Kathy Bass, Systems Coordinator; Linda Ashby, City Clerk.

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

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

SEDCO WORK PROGRAM 2010-2011
President's Presentation of the 2010-2011 Work Program

SEDCO WORK PROGRAM 2010-2011
City Council to Discuss and Consider Approval of the SEDCO Work
Program 2010-2011

SED CO BUDGET 2010-2011
President's Presentation of the SEDCO Budget 2010-2011

SEDCO BUDGET 2010-2011
City Council to Discuss and Consider Approval of the 2010-2011
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 12:02 p.m., declared a quorum present, and opened the City Council Meeting. Greg Kirkpatrick, Chairman of the Sherman Economic Development Corporation, declared a quorum present, and opened the SEDCO Meeting.

SEDCO WORK PROGRAM 2010-2011

PRESIDENT'S PRESENTATION OF THE 2010-2011 WORK PROGRAM

John Boswell, Sherman Economic Development Corporation President, said this year's Work Program is similar to last year's program and is taken from Chapter 9 of the City's Comprehensive Master Plan. There are three main goals of SEDCO:

- Stimulate economic activity through business development and industry attraction
- Develop retain, and attract talent
- Promote and enhance quality of place

SEDCO's accomplishments this year include three deals approved by the Board totaling 166 new jobs and over \$18 million worth of investment. This was a below average year, but not the lowest SEDCO has ever had.

One project this year, approved by the City Council, was working with the existing industry on the Blalock Commercial Overlay District. Mr. Boswell said he and Mayor Magers visited with and got 100% "buy in" from the industrial partners for the commercial development of the corner at S.H. 75 and F.M. 1417. As discussions were held with the industries it was found that there was a need to reconfigure transportation infrastructure around that intersection.

SEDCO is currently working with the Texas Department of Transportation to add a southbound exit ramp south of the F.M. 1417 bridge. If that intersection becomes commercial, the plan is to take the trucks out of the intersection so they don't interact with the cars. The new exit ramp will allow trucks to exit the highway with access to Tyson, Progress Rail, and Sunny D. Over 100 trucks are used daily at Tyson and Sunny D and this will remove that truck traffic from the intersection of S.H. 75 and F.M. 1417.

Mr. Boswell said SEDCO also worked in marketing by increasing awareness about the economic development opportunities both within Sherman and without Sherman. They are marketing to real estate brokers across the Country and are trying to educate local citizens about the vision for the Industrial Park. SEDCO has put together a promotional video to share the vision for the Industrial Park. He played the video, which will be added to the website and to YouTube.

Along with the video, SEDCO is trying to get community buy in from citizens and is marketing an "Ask Me About Sherman" campaign to promote the quality of place. This will help citizens know more about things going on in Sherman. Promoting quality of place should help attract new talent to the community. One of the things that is important to new citizens is the Parks and Recreation program. SEDCO also designed a Parks and Recreation video that will be added to their website and YouTube, and hopefully the City's website, to promote Sherman.

At the last quarterly report, SEDCO was asked to concentrate on attracting water intensive industries. They worked with TIP Strategies, the same company that the City contracted with to complete Chapter 9 of the Comprehensive Master Plan, to identify water intensive industries and design a strategy that would work with SEDCO's existing goals.

The approach was to identify high-volume industrial water users; to examine regional water resources: demand, supply and availability; to match viable water intensive industries with economic development strategies; and to recommend targets for business recruitment. Thermoelectric power and irrigation are two areas that use the most water. Texas is one of the top four states for industrial water

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withdrawals. In North Texas, high water users include semiconductors, food and beverage products, poultry processing, health care products, aircraft production, and energy. In 2010, Sherman currently has 35.8 million gallons per day of water available.

Mr. Boswell said based on the selection criteria of geographic location, utilities infrastructure, land inventory and industrial sites, and workforce, the water intensive industries that Sherman should target are food products manufacturing, pharmaceuticals manufacturing, and data centers. The MEMC facility would be a good building for pharmaceuticals manufacturing. He discussed the pros and cons of each area of manufacturing.

SEDCO WORK PROGRAM 2010-2011

CITY COUNCIL TO DISCUSS AND CONSIDER APPROVAL OF THE SEDCO WORK PROGRAM 2010-2011

Mayor Magers asked why Mr. Boswell did not include paint and coatings manufacturing in the water intensive industries for Sherman. Mr. Boswell explained that this type of industry tends to locate along the coast and brings with them air quality issues. He did not feel this was a "good fit" for Sherman.

Mayor Magers asked what companies had been contacted. Mr. Boswell said they have not contacted any companies but have a lead on a data center. Panda Energy, which has already been announced, will be a big water user. He added that SEDCO has only had the completed Study for about a week and have not targeted the industries yet.

Mayor Magers verified that the Study took three months to complete by TIP Strategies. Council Member Adami asked how the plan would be implemented. Mr. Boswell said they will start with the industry clusters and research who in each category should receive the direct target marketing. They will start with letters and direct mailings, then follow up with more aggressive calling to get appointments scheduled. Mr. Boswell said data centers are harder to identify, but they will also concentrate on start-up pharmaceuticals.

Council Member Smith verified that the work will begin today. He has been saying for a year that Sherman needs to market the water available in Sherman and he expressed concern that SEDCO only started implementing this three months ago. Mr. Boswell said SEDCO has always used marketing for industries using water. The difference is that the focus has been on trying to find employers first and some of these types of industries are not big employers. Many prospects have been brought in that had high water needs, but now the focus is on an industry just because they are a high water user and for no other reason. Sherman has implemented water intensive companies already.

Mayor Magers felt the "Water Intensive Target Sectors Study" performed by TIP Strategies is a 30,000 foot view of North American Industry Classification System (NAICS) codes that outline four industry niches that are high water users. He had hoped to see a strategic plan to recruit these types of industries. He felt the Study really did not warrant three months of work and asked the SEDCO Board their thoughts.

SEDCO Secretary Todd Thompson said he had hoped to see a list of actual companies that were recommended. Mr. Boswell said recommended companies would be "region specific" to certain areas. He added that TIP Strategies produced the Study in two months. He agreed that the Study didn't answer all the problems, but it does identify possible targets for industry specific water users.

Council Member Adami said the Council reinforced that they want to see water users. The additional water allocation was purchased and they hoped the community asset would bring in industries. He was concerned about commercial buildings, such as MEMC, which are underutilized and sit on the market. He felt the marketing plan should be more aggressive and get people interested that use a great deal

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of water and need an existing facility that is available. He felt the marketing plan needs to involve more.

Mr. Kirkpatrick said SEDCO has held discussions that, given the economic environment, the old ways of economic development probably don't work. They need to think outside the box and be the pursuer. He admitted that they were not bringing results today, but they have discussed changing the concept of how they recruit businesses.

SEDCO Member Rad Richardson added that historically, Sherman will have the best and most dependable water supply when companies are looking to locate, however it costs more to live in Sherman than in other towns around here and the City Council has just increased water, sewer, and solid waste costs again. Mayor Magers said these are fixed cost businesses, however the City can give discounts to industries locating in Sherman. George Olson, City Manager, said Sherman is still below the average. Robby Hefton, Assistant City Manager/CFO, said about ten years ago Sherman's rates were in the top one-third percent for industrial use. Since that time, Sherman has moved down and the rates are now about average with peer cities, even with the 6% increase this year.

Mayor Magers said if the City gets a prospect that is "kicking and screaming" about water rates, they would probably do something to ease the situation. He said from the Study, he had wanted to see a plan with measurable benchmarks that listed specific target industries with a business plan to get these industries. Instead the Study lists universal water users that do things that use water.

Mr. Boswell said for the past twelve months, SEDCO has been operating on goals adopted by the City Council a year ago. These goals include issues for jobs, property tax, and other items not solely focused on water. He asked if the City Council wanted SEDCO to focus only on high water users and nothing else. Mayor Magers said water is a key differentiator in Sherman, Texas. Mr. Boswell said the problem is that water is a differentiator for Sherman, but there is not a shortage of water nationwide. SEDCO must find the industries that need water that want to locate in this area. The world is not their playground for water users, there is only a shortage of water from I-35 westward, in that southwest segment of the United States.

Council Member Adami felt that water was a part of the overall picture because Sherman has the water and it should be an asset that is sellable. Dallas is having water problems and there are many areas that are having water shortages. Sherman's water is an asset that should be used and should fit within the overall goals.

Mr. Boswell said SEDCO has always tried to use water as a differentiator. The problem is, of the top ten questions asked on any project, water is never in the top ten. Council Member Howeth verified that the top questions are about property taxes and tax abatements, and everyone has those. Mr. Boswell said quality of life is not in the top ten questions either. He added that funding the government through property taxes in Texas is a disadvantage to industries also looking at locating in Southern Oklahoma, which funds through income tax.

Mr. Thompson said he is the incoming SEDCO Chairman and for the next year he wants to have a clear understanding of exactly where the City Council wants to go. He wants to see a cost benefit analysis of what selling the water will mean to the City and wants to have the City involved in the prospect discussions. He emphasized that the City Council needs to be a part of the process from the beginning.

Mayor Magers added that if the City can get water users, they can lower the water rate and it can be amortized over a wider base. The City Council has worked two long, hard years to get the additional water from Lake Texoma. From a regional standpoint, such as North Texas and Southern Oklahoma,

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water is a differentiator and SEDCO needs to be focusing on those industries that can use what Sherman has. There are industries that have water issues or air quality issues and Mayor Magers said he expected to be "farther down the road than we are."

Council Member Smith felt that more communication was needed between SEDCO and the City Council. Up to this point, he did not feel that the City was very proactive in implementing a recruitment strategy or marketing plan. He would like to see a proactive strategy developed and implemented because he felt economic development is stagnant.

Mr. Boswell disagreed saying that the SEDCO team is more aggressive than 95% of the communities in the State of Texas, and in the Country. He said they are out there every day calling people, sending information out, and marketing. They don't wait for the telephone to ring and for things to fall into their lap. SEDCO doesn't generally report how many contacts are made because results are what are measured. This year there were three projects approved but there were many other things that happened that didn't result in approved projects.

Council Member Smith was concerned that the Council doesn't know what all SEDCO is doing, they only hear about the approved projects. Mayor Magers said for the last decade, from 1999 to 2009, the Sherman – Denison Standard Metropolitan Statistical Area (SMSA) has been dead last in job growth in Texas. Mr. Boswell said that according to the Texas A&M Real Estate Center, two years ago the Sherman – Denison SMSA was second in Texas in job creation, primarily due to the announcement of Tyson and Ruiz Foods. Mayor Magers said the City Council and the Mayor are ultimately accountable for the efforts of SEDCO and from 1999 to 2009, the Sherman – Denison SMSA has had a -5.5% job growth.

Mayor Magers asked the Council if they wanted to review SEDCO's Work Plan. He asked how the benchmarks and performance were measured and how success would be measured in this Plan. Mr. Thompson said SEDCO should be more specific and detailed in their Plan. Mr. Boswell said the Work Plan presented was the same Plan that is listed in Chapter 9 of the City's Comprehensive Master Plan.

Council Member Adami said it is the same Plan, but that is a long range Plan and there needs to be some way to measure it. Mr. Boswell felt economic development was also a long range plan. Council Member Smith added that there should be more communication between the City Council and SEDCO. Deputy Mayor Steele said it seems elementary to talk about the number of contacts or telephone calls, but he felt it was important, because those are measurable details and numbers. This helps the Council know what is going on besides the broad view they get during the quarterly report.

Mr. Boswell said the Council seems to be saying that it's all about measuring the process and not the results. Mayor Magers said asking what industries should be targeted for Sherman, out of the four high water categories, is not a process, it is a result. Who are the qualified, target prospects? Once those are identified, then the question is what do you want to do to get them. The consultant's Plan lists four market segments that Sherman should want. It doesn't even list specific companies in these areas to target. He did not feel that the Study was an actual Plan. A Plan should include specifics and measurable results.

Deputy Mayor Steele asked if SEDCO would like another chance to review the Plan before the City Council considers approval. Council Member Wacker suggested including more detail and a strategy with action items. She said the Council wants both a deliverable Work Plan and results. Mr. Thompson said he did not see a problem with this suggestion but asked when the Council would like to review the revised Plan.

Mayor Magers said the Council will be holding a long range planning session with the City staff in

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November 2010. He suggested including SEDCO during that process. Mr. Thompson asked if SEDCO could schedule a work session with the City Council to get their ideas and some realistic

expectations from the staff that should be considered in the Work Plan. Council Members felt that a joint work session would be a good idea.

NO ACTION WAS TAKEN ON THE WORK PLAN.

SEDCO BUDGET 2010-2011

PRESIDENT'S PRESENTATION OF THE SEDCO BUDGET 2010-2011

Mr. Boswell presented the SEDCO Budget for 2010-2011, which is the same as last year. He did not feel it needed to be changed even though the goals will be changing. The only adjustment is under expenses for programs – marketing and attraction. The maximum amount that is available to use for marketing is 10% of the sales tax revenue. He added that SEDCO can spend more than 10% in a single year if those dollars have already been earmarked in past Budgets. He said there is approximately \$100,000 that has been unspent that will “roll” into next year.

SEDCO BUDGET 2010-2011

CITY COUNCIL TO DISCUSS AND CONSIDER APPROVAL OF THE 2010-2011 SEDCO BUDGET

Council Members asked about the \$734,400 listed under “other revenue.” Mr. Boswell said that is the sale of land to Panda Energy and has not been paid to SEDCO at this time. SEDCO expects the project to close this year. The agreement calls for Panda Energy to purchase the land from SEDCO and after the completion of the facility it goes back out.

Mayor Magers confirmed that SEDCO has \$10 million in ending fund balance and of that amount \$6.9 million has been committed. He asked for a breakdown of that committed amount. Mr. Boswell said \$4 million of that reserved amount is for CertainTeed's Phase 2. Their contract says that by December 31, 2011, CertainTeed must announce plans to begin Phase 2. If they don't start, the money would be moved back from “reserved” to “unreserved.”

Mayor Magers didn't feel that Sherman would get many more 3,000 employee, industrial complexes in Blalock Park. Should the Council and SEDCO re-examine last year's Plan and broaden the scope? Mr. Kirkpatrick said they have discussed targeting more medium sized firms in Dallas and Fort Worth and assessing the age of their facilities, their tax rates, and trimming the broad view down to target smaller industries. They can focus on smaller players, but still look at quality companies.

Mr. Thompson said they should also identify Dallas plants with emission problems that might work for Sherman or companies that are landlocked. For example, a printing industry is one of the largest emissions there is but it is not recognized as a “lead battery plant.”

Council Member Adami felt it would be important to target aged facilities or companies that are out of abatements in Dallas and Fort Worth. Mr. Kirkpatrick added that everyone's goal is to put SEDCO money to work and they may need to enlarge the standard parameters and make the money work.

Council Member Wacker said they should look at “niche” companies that might be “green” or start up entrepreneurial businesses. Mr. Boswell said in the past, start up businesses have been considered high risk. Mayor Magers said probably companies that have gone through the first round and are ready to be commercially viable.

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Deputy Mayor Steele verified that the sales tax revenue is based on the sales tax revenue from the City's Budget. Mr. Hefton said sales tax is trending flat compared to last year and slightly below budget for this year. For FY 2011, sales tax is budgeted at 0% increase from last year.

ACTION TAKEN.

Motion by Council Member Wacker to approve the SEDCO Budget for FY 2010-2011, as presented. Second by Deputy Mayor Steele.

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

VOTING NAY: None.

MOTION CARRIED.

OTHER BUSINESS

Mayor Magers distributed a handout of the "Market Report 2010" from the Texas A&M Real Estate Center. He said he has been an advocate of targeting Dallas businesses and he felt this should be a part of SEDCO's plan.

He said as Mayor, he has met only a few of the prospects that have considered Sherman. He felt that if there is a "hot" prospect, he should be included. He felt there should be a focus on driving business forward and that there were many opportunities available.

Previously the Mayor or a City Council Member sat on the SEDCO Board of Directors. After his election, he felt it was not appropriate for a member of the Board of Directors to set on a sub-committee. The City Council is and should be held accountable to taxpayers for the success or failure of economic development.

From the statistics presented, Mayor Magers said slow growth is predicted for Sherman. Sometimes Grayson County is portrayed as below the mean in education, however the statistical numbers don't show that. Only in the higher degrees, such as Bachelor's and Master's, does Sherman "dip" below the mean.

From 1999 through 2009, the Sherman-Denison SMSA has realized a -5.5% growth rate. He felt much of this decline could be attributed to the closing of plants. He added that Sherman needed to start getting those jobs back. Mayor Magers asked what specifically is being done to drive this.

Sherman has 22% less labor cost than Dallas, which is a key cost for businesses. Couple this with a high mean of high school graduates and a lower housing cost than Collin, Dallas, and Denton Counties, and Sherman emerges as a lower cost place to do business. Mayor Magers asked why wouldn't Sherman use that specific targeted strategy to pull businesses from the Metroplex to Sherman.

Mr. Boswell said one problem with comparing rent in Grayson County is that most of Sherman's industrial buildings are owner occupied. Since Sherman doesn't have a lot of lease space, it's hard to compare lease rates. Mayor Magers also addressed property tax rates saying that Dallas County's property tax rates are \$2.60.

Mayor Magers added that if the City is serious about thinking outside the box, then they need to spend time trying to recruit Dallas companies to move to Sherman. Dallas is a City with over five million population, located 60 minutes south of Sherman, with higher rental rates, higher housing costs, and higher taxes. Without writing one incentive check SEDCO should be working to get a non primary employer here.

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If, in this economy, the door to heavy capital industrial manufacturing is closed then this other door might be open. A critical part of SEDCO's strategic plan needs to be to go south and get businesses to move to Sherman. Their employees could even commute.

He urged that this strategy be incorporated in SEDCO's plan or if it won't work, tell the Council why. Mayor Magers said the City Council and SEDCO should be working together as a team. There needs to be improved communications between the business development arm of the City and the City Council.

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 1:18 p.m.

MAYOR

ATTEST

CITY CLERK