

STATE OF TEXAS §

September 15, 2016

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 15, 2016.

COUNCIL MEMBERS PRESENT: Mayor David Plyler.
Council Members Couch, Davis, Howeth, Johnson, Steele.

COUNCIL MEMBERS ABSENT: Deputy Mayor Jason Sofey.

SEDCO MEMBERS PRESENT: Willie Steele, Greg Kirkpatrick, John Sild, Brad Douglass, Tom Shields, David Plyler (Ex-Officio), Robby Hefton (Ex-Officio), Dr. David Hicks (Ex-Officio), Jason Sofey (Ex-Officio), Lawrence Davis (Ex-Officio).

SEDCO MEMBERS ABSENT: None.

CITY STAFF PRESENT: Robby Hefton, City Manager; Don Keene, Assistant City Manager; Brandon Shelby, City Attorney; Steve Ayers, Director of Community and Support Services; Otis Henry, Police Chief; Danny Jones, Fire Chief; Scott Shadden, Director of Development Services; Mark Gibson, Director of Utilities; Mary Lawrence, Director of Finance; Tammy Davis, Controller; Nate Strauch, Communications Manager; Pam Cloer, Assistant to the City Manager; Junior Jaimes, Computer Support Technician; Linda Ashby, City Clerk.

SEDCO STAFF PRESENT: John Plotnik, President; Frank Gadek, Executive Vice President; Stacey Jones, Vice President of Business Retention and Expansion; Ashton Ghaemi, Director of Research and Marketing.

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

Invocation by Deputy Mayor Jason Sofey

SEDCO WORK PROGRAM 2015-2016

SEDCO's Presentation of the 2015-2016 Work Program Results

SEDCO WORK PROGRAM 2015-2016

SEDCO's Presentation of the 2008-2016 Return on Investment Report

SEDCO WORK PROGRAM 2016-2017

SEDCO's Presentation of the 2016-2017 Work Program

SEDCO WORK PROGRAM 2016-2017

City Council to Discuss and Consider Approval of the SEDCO Work Program 2016-2017

COUNCIL MINUTES -- SEPTEMBER 15, 2016

SEDCO BUDGET 2016-2017

SEDCO's Presentation of the SEDCO Budget 2016-2017

SEDCO BUDGET 2016-2017

City Council to Discuss and Consider Approval of the 2016-2017 SEDCO Budget

OTHER BUSINESS

ADJOURNMENT

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

Mayor Plyler called the meeting to order at 12:09 p.m., declared a quorum present, and opened the City Council Meeting. Willie Steele, Chairman of the Sherman Economic Development Corporation, declared a quorum present, and opened the SEDCO Meeting.

INVOCATION BY DEPUTY MAYOR JASON SOFEY

In the absence of Deputy Mayor Sofey, Council Member Steele gave the invocation.

SEDCO WORK PROGRAM 2015-2016

SEDCO'S PRESENTATION OF THE 2015-2016 WORK PROGRAM RESULTS

John Plotnik, President, Sherman Economic Development Corporation, said he was introduced by SEDCO one year ago today as their new President, and he thanked the Council and SEDCO for their leadership and assistance during this past year. He introduced the SEDCO Board Members and the staff. SEDCO will present their past accomplishments, their return on investments, the business plan for the next fiscal year, and the proposed budget.

Frank Gadek, Executive Vice President, presented SEDCO's accomplishments for the current fiscal year. The first goal is to retain and expand existing primary employers and SEDCO has completed projects with four existing employers for a total capital investment of \$3,024,300, 21 new jobs, 20 retained jobs, and a total commitment of \$166,965 in incentives.

They have also introduced a "Buy Local" grant, which allows for up to 5% of dollars spent locally on goods and services, up to a maximum of \$20,000. Each employer is also eligible for this buy local grant, above their negotiated incentives. They made 46 visits for business retention and held four Plant Manager's Forums, four Safety Leaders Forums, and two Manufacturing-HR Focus Group meetings, which all translate into job recruitment and retention.

The second goal is to recruit targeted national and international primary employers. The State defines a primary employer as manufacturing jobs, warehousing positions, back office operations, headquarters locations, and a couple of others. SEDCO recruited two companies that were primary employers, with a total capital investment of \$5.8 million and 48 new jobs, with committed incentives of \$535,000.

SEDCO has also made contact with over 250 site selectors and commercial brokers, mostly in Dallas. Mr. Gadek emphasized the use of Mr. Plotnik's personal contacts with the Dallas community, as being instrumental in this contact base and in the number of visits to Sherman. SEDCO is currently working on 11 active projects with an estimated investment of \$1.2 billion and 2,434 new jobs.

COUNCIL MINUTES -- SEPTEMBER 15, 2016

Mr. Gadek addressed SEDCO's efforts to target DFW Metroplex allies to attract business investment to the area. Marketing and promotional items were mailed out, primarily to the commercial brokerage group, and especially the SIOR, which is a prestigious commercial broker designation, of which Mr. Plotnik is a member. SEDCO also recently hosted a booth at the NTCAR Expo in Dallas. Mr. Plotnik also serves on the DFW Marketing Team.

Mr. Gadek said the targeted industries include food processing, high-tech, equipment manufacturing, and logistics and distribution. Sherman has not yet attracted a distribution center, but he said that is "high on SEDCO's radar screen."

Another goal is to establish Sherman as a retail market center. While Sherman is a Type A organization, and grants do not apply to retail-related projects, SEDCO does continue to support inquiries from these retail projects. Many of these companies have been in touch with SEDCO at some point for information and as a referral source. Council Member Steele said some of these retail employers will hold job fairs at Texoma Workforce Solutions in Denison for assistance with the screening process. They do see the results from SEDCO's activities.

Mr. Gadek added that SEDCO partners with many entities, such as the Chamber of Commerce, Texoma Workforce Solutions, the Center for Workplace Learning, Grayson County College, and other entities that are associated with job creation, retention, or expansion.

SEDCO also has a goal to invest in projects that enhance Sherman's quality of place. They partner with the Sherman Independent School District to offer dual credit programs to students, and with the Denison Development Alliance to offer the Business Education for Teachers Program.

Mr. Gadek said SEDCO also manages their real estate and works to attract private developments. He said one success story this year is the J.P. Hart Lumber Company's purchase of 37 acres in Progress Park. The sale was a source of revenue for SEDCO of over \$750,000. They have always had land available for industry, and in the past the approach was to give the land site to the company to encourage them to locate in Sherman.

Then the program was for the company to purchase the land, and the below-market value of the land would be returned to the company as an incentive. Currently SEDCO is brokering the land at market, or near market pricing. They have teamed up with Stream Realty in Dallas to market Progress Park. He said the program has resulted in a savings of marketing dollars for SEDCO. Stream Realty receives a commission on the property, but they handle the signage for the property, and marketing videos and brochures.

Burlington Northern Santa Fe Railroad serves the rail sites in Sherman's industrial park and SEDCO is involved in a new program with them called the Certified Site Program. SEDCO provides them with survey and other information for the rail-served sites and BNSF then certifies those sites under their own criteria. This helps SEDCO market Sherman's rail-served sites on the BN network. When BN gets enquiries about rail-served sites, they focus on the certified sites first.

SEDCO also widened Progress Drive in Progress Park III and V, and added a lane which was necessary for the staging of trucks. There were also other infrastructure expansions throughout the year.

He added that an ongoing effort of SEDCO is to raise Sherman's profile in local, state, national, and international markets. They have added a Leadership Breakfast and Mentor Breakfast to help keep community leaders informed about things happening in the City and with SEDCO. This year SEDCO also held a 20th Anniversary Celebration. One marketing focus has been to encourage everyone to

COUNCIL MINUTES -- SEPTEMBER 15, 2016

"buy local." In addition to their work with SEDCO, Mr. Gadek said their entire staff is very active in the Sherman community and are committed to its growth.

SEDCO WORK PROGRAM 2015-2016

SEDCO'S PRESENTATION OF THE 2008-2016 RETURN ON INVESTMENT REPORT

Mr. Plotnik presented SEDCO's impact on the community through a return on investment report from 2008 through 2016. Since that time, SEDCO has worked with 65 companies and has paid grant money of about \$13 million. SEDCO's cost to stay open was about \$6.5 million during that period. There was a total committed investment by those companies of about \$862 million and about 3,078 direct and indirect jobs.

Based on those numbers, as people buy goods and services and the company buys inventory, the City of Sherman recognized an economic benefit of \$32,457,000. With a cost to the City of about \$20 million for grants and SEDCO's operating costs, that's a 162% return on investments.

SEDCO WORK PROGRAM 2016-2017

SEDCO'S PRESENTATION OF THE 2016-2017 WORK PROGRAM

Mr. Plotnik presented SEDCO's 2016-2017 Work Program and outlined the goals of the program. The first goal is to retain and expand existing primary employers, which means business retention and expansion. Historically, existing industries will create more investment and more jobs, in the long run, than new companies moving into the area. He said SEDCO will target both new and existing companies, but keeping in touch with the existing industries and plant managers is imperative. SEDCO needs to find out what their wants, needs, and desires are before the competition finds out.

Stacey Jones, Vice President of Business Retention and Expansion, is responsible for regularly keeping in touch with existing employers to determine their wants, needs, and desires. For example, Texas Instruments just completed an \$18 million expansion this past year and SEDCO gave them grant money for the expansion. For companies like Kaiser, Emerson, and Texas Instruments, they are not only competing with their competition globally, but they are competing with their own company's other plant locations for these projects. Sherman has been winning these projects by offering them a grant for the expansion, which lowers their capital expenses and operating costs.

Another goal for the upcoming year is to recruit targeted regional, state, national, and international primary employers. SEDCO would like to attract four new primary employers with a total capital investment of \$50 million, with 150 new jobs. To do this, Mr. Plotnik said SEDCO must upgrade their real estate listings, attend national and regional conferences, and speak to target companies and site selectors.

Through the partnership with Stream Realty, and attending conferences to talk with targeted industries and site selectors, it's working. People are taking notice of Sherman. Mr. Plotnik said you can't find affordable land in Plano, Richardson, or McKinney anymore. If you do find the land, it is very expensive. Sherman is the next step on US Hwy 75.

SEDCO also plans to continue workforce development programs and has been working with the local educational institutions, the economic development organizations, and the workforce development agencies, which is imperative when talking with new companies. Their main questions are, what is your labor like, do you have sites available, and what about community acceptance. Partnering with these various entities, they can better "sell" a community.

Mr. Plotnik referenced Manufacturing Day and said that Texas has the ability to have a junior and senior in high school to take vocational classes at Grayson College and use those credits for their high school diploma. This gives the students another option besides college, or in manufacturing.

COUNCIL MINUTES -- SEPTEMBER 15, 2016

Through Ms. Jones' efforts, students visit various plants throughout the year to see what skills they would need to enter that workforce. But also, how can you expect a teacher or a counselor to offer these options if they don't have the same experience. SEDCO now offers a program where the teachers and counselors also tour the plants to become familiar with the type of company employers available in Sherman. Council Member Steele said one of the teacher participants told him that the teachers have been in the classrooms so long that they are "in a bubble" now. This gives them another alternative when a student may not be right for college.

SEDCO also plans to target regional, state, national, and international allies to attract a business investment in the upcoming year. The goal is to attract two businesses with a total capital investment of \$10 million and 40 new jobs, with an average wage rate of \$15.

To do this, they plan to target conferences with the Society of Industrial and Office Realtors, which is an elite organization that handles only manufacturing and office companies. Each company that gets a mailer also gets a telephone call from SEDCO as a follow-up.

Another organization they target is the Industrial Asset Management Council, which handles only end users, such as Honeywell and Lockheed, and site selectors. SEDCO also works closely with other organizations and entities to market Sherman to these specific target companies.

They also manage SEDCO's real estate to attract private developments and they needed a company that had both international and national contacts, and that could develop in-house. Stream Realty could do both. They compiled all marketing materials to market Progress Park and to sell Sherman.

SEDCO has also partnered with Burlington Northern Santa Fe Railroad to provide shovel-ready sites which they then market nationally and internationally. Mr. Plotnik said if a company needs rail service, and they could find it south of Sherman, which they can't, it would cost \$200,000 per acre, at a minimum. Sherman has rail service and BNSF is helping to market the sites. He added that is how Sherman got J.P. Hart Lumber Company, and ultimately sold the 37 acres, seen the first phase of \$6 million in development, and got 37 new jobs.

SEDCO is working with Midway Industrial Park on a 60,000 square foot spec building, which will be completed next year. Sherman does not have industrial space left in the City. The apartments are at 100% leased and there's only a two months supply of single family homes. Anything under a six months supply becomes a seller's market. Mr. Plotnik said they are always looking for ways to expand the Park with acquisitions.

In order to invest in projects that enhance Sherman's quality of place, Mr. Plotnik said SEDCO will continue to attract primary employers that help create an investment in the area. They have Type A funding; strategic growth around US Hwy 75, US Hwy 82, and the SH 289 corridor; the ability to extend infrastructure in the industrial area; and the ability to place the corridors where the City is comfortable. They are also working with CableOne to bring additional cable and broadband service to Progress Park.

SEDCO also continues to raise Sherman's profile in local, regional, state, national, and international markets and improve and enhance a positive awareness of Sherman and its assets. They are using social media as well as targeted contacts to achieve this. They also plan to continue the economic impact reports on projects and analyzing the return on investment of the sales tax dollars.

SEDCO WORK PROGRAM 2016-2017

CITY COUNCIL TO DISCUSS AND CONSIDER APPROVAL OF THE SEDCO WORK PROGRAM 2016-2017

COUNCIL MINUTES – SEPTEMBER 15, 2016

SEDCO BUDGET 2016-2017

SEDCO'S PRESENTATION OF THE SEDCO BUDGET 2016-2017

Ms. Jones presented the proposed Budget for FY 2016-2017. SEDCO Board Members have approved the proposed budget. She outlined several changes to the budget.

Administrative costs have increased, mainly due to an increase in insurance costs. She said the City implemented some new accounting software so some of the categories have been readjusted. Under operations, the training budget has increased to allow Ms. Jones and Ashton Ghaemi, Director of Research and Marketing, to obtain their Certified Economic Developer designation.

She added that office supplies was increased and postage was increased to allow them to increase the mailers that are sent out. Maintenance and repairs and office equipment have both been increased because they are anticipating some repairs on the older equipment.

In the programs budget, the conferences line item increased and the business retention and expansion line item increased. Money has been invested in the program to encourage high school students to consider manufacturing jobs, as well as the industrial maintenance technology program for seniors. Ms. Jones said SEDCO also plans to make the job fairs an annual event. SEDCO has decreased the marketing budget by streamlining some of the marketing efforts. Overall, Ms. Jones said for the operations, administration, and programs budgets, they have decreased.

The next category includes the annual incentive payouts that are scheduled and the land and infrastructure. Land and infrastructure has increased because the profit SEDCO made from the land sale in Progress Park has been included. That profit will be reinvested in the industrial park.

SEDCO BUDGET 2016-2017

CITY COUNCIL TO DISCUSS AND CONSIDER APPROVAL OF THE 2016-2017 SEDCO BUDGET

Mayor Plyler asked if any Council Members had questions about SEDCO's proposed work program or their budget.

Council Member Couch asked about any information they could provide on the types of companies they are currently working with. Mr. Plotnik said the targets include food processing, distribution, and manufacturing. He said they are mostly seeing companies that are involved in beverage manufacturing, packaging, and some software companies. They are not seeing a lot of distribution. He said it is mostly manufacturing. They are working some of the national companies that are in the packaging business, the beverage business, and one in the container business.

Council Member Couch asked if they were working with any data centers or back offices. He said Facebook just purchased a significant piece of land in the Fort Worth area. Mr. Plotnik said they have distributed mailers to targeted data centers. He said Sherman's advantage for data centers is the cost of power because they are huge industrial users of data and power. To the south of Sherman, the cost of power is 6.5 cents to 7 cents per kilowatt hour. In Sherman the cost is about 3.2 cents per kilowatt hour.

Mr. Plotnik said this gets the word out, that Sherman has clean air, lots of water, and low power costs. Labor is currently the issue throughout Texas. He said it is rare to find a City in Texas that has unemployment of over 4.5%. Council Member Steele said prospects are asking them, where are the labor pools. Mr. Plotnik said companies are now looking for people for their jobs, but it's a short-term problem, not a long-term problem.

Willie Steele said with many companies, water is the big issue, but with Sherman's availability of water, it puts the community at a higher level to attract these manufacturing plants that need a large

COUNCIL MINUTES – SEPTEMBER 15, 2016

amount of water. He added that SEDCO does a lot to market that aspect to the prospects. Mr. Plotnik said that Sherman is one of two communities in Texas that is not under any water restrictions. Sherman has about 46 mgd capacity and is only using about one-third of that amount. In the communities to the South of Sherman, everyone is under water restrictions.

ACTION TAKEN.

Motion by Council Member Steele to approve the SEDCO Work Program for FY 2016-2017, as presented. Second by Council Member Howeth.
VOTING AYE: Couch, Davis, Howeth, Johnson, Steele.
VOTING NAY: None.
MOTION CARRIED.

ACTION TAKEN.

Motion by Council Member Couch to approve the SEDCO Budget for FY 2016-2017, as presented. Second by Council Member Davis.
VOTING AYE: Couch, Davis, Howeth, Johnson, Steele.
VOTING NAY: None.
MOTION CARRIED.

OTHER BUSINESS

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

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 1:00 p.m.

MAYOR

ATTEST

CITY CLERK