

**SHERMAN ECONOMIC DEVELOPMENT CORPORATION
MINUTES OF THE ANNUAL JOINT MEETING
OF THE BOARD OF DIRECTORS
AND THE SHERMAN CITY COUNCIL
SEPTEMBER 15, 2015
CITY COUNCIL CHAMBERS
12:00 PM**

A meeting of the Sherman Economic Development Corporation Board of Directors was convened in the City of Sherman, City Council Chambers at 220 W. Mulberry, Sherman, Texas, on September 15, 2015, at 12:00 p.m.

MEMBERS PRESENT: Mr. Brooks Hull, Mr. Willie Steele, Mr. David Key,
Mr. Greg Kirkpatrick, Mr. Willie Steele

MEMBERS ABSENT: None

EX-OFFICIO MEMBERS PRESENT: Mayor Cary Wacker, Deputy Mayor David Plyler, Council Member
Jason Sofey, Mr. Robby Hefton

EX-OFFICIO MEMBERS ABSENT: Dr. Al Hambrick

CITY COUNCIL MEMBERS PRESENT: Mayor Cary Wacker, Deputy Mayor David Plyler, Council Member
Jason Sofey, Council Member Lawrence Davis, Council Member
Terrence Steele

CITY COUNCIL MEMBERS ABSENT: Council Member Ryan Johnson, Council Member Tom Watt

STAFF PRESENT: Mr. John Plotnik, Mr. Frank Gadek, Mrs. Stacey Jones

STAFF ABSENT: None

CITY STAFF AND GUESTS PRESENT: Mr. Robby Hefton, Mr. Brandon Shelby, Mr. Don Keene, Mr. Steve
Ayers, Mr. Clay Barnett, Mr. Danny Jones, Mr. Scott Shadden, Mr.
Mark Gibson, Mrs. Mary Lawrence, Mrs. Tammy Davis, Mr. Jim
Cross, Mr. Nate Strauch, Mrs. Pam Cloer, Mr. Brad Williams, Mrs.
Linda Ashby

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

Mayor Wacker called the meeting to order at 12:00 p.m., declared a quorum present, and opened the City Council Meeting. Brooks Hull, Chairman of the Sherman Economic Development Corporation, declared a quorum present, and opened the SEDCO Meeting.

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

Mr. Hull welcomed incoming SEDCO President John Plotnik, adding that he will formally join SEDCO on September 29, 2015.

Mr. Plotnik thanked the City Council and SEDCO for their support and for offering him the position of President of the Board. His background is basically from the Dallas/Ft. Worth Metroplex, and includes 27 years in commercial real estate and site selection work. His last five years in Dallas were with the Bradford Development Company. He most recently served

as the Executive Vice President of the Corpus Christi Regional Economic Development Corporation.

He said corporate America is moving into Plano and those core jobs will demand services and result in additional jobs. The migration is moving north and Sherman needs to look ahead as to infrastructure, housing, security, education, and all the things that are involved in the community. Sherman needs to be prepared for that demand in the next five to ten years. Mr. Plotnik said this demand will happen and will increase the retail community and the sales tax. He said these are exciting times and they need to plan for that. Mr. Plotnik thanked the City Council and SEDCO for the opportunity to serve as SEDCO's President.

CONSIDER FOR APPROVAL THE SEDCO WORK PROGRAM FOR FY 2015-2016

Frank Gadek, SEDCO Executive Vice President, presented the 2015-2016 Work Program. First he presented the results of the 2014-2015 Work Program. The mission of SEDCO is to grow the tax base and create jobs.

The bulk of SEDCO's time is spent retaining and expanding the existing primary employers. He estimated 65 to 70% of their time is spent with existing businesses and said this has been a good year from a project standpoint.

He outlined projects including Panda Sherman Power 2 which will have an investment of between \$200 and \$300 million. Their incentive package is for \$2.5 million, with construction scheduled to begin this time next year.

Christmas Designers was formally located in the Burlington Building and has moved to the former Whitmire Building. Kaiser Aluminum has had two projects this year with the second under construction now.

903 Brewers is a success story beyond even their expectations. Just this week they have applied for an expansion project.

SEDCO has launched a new Business Retention and Expansion Program, which is headed by Stacey Jones, Economic Development Coordinator. A Sherman Safety Leaders Program is also being created out of the Expansion and Plant Manager's Programs.

Mr. Gadek said an Economic Impact Analysis is also prepared for each project to determine a return on investment for the incentives that are approved in the Performance Agreement. This analysis helps the Board make an informed decision on the agreements and includes an analysis on the perimeters of the project, capital investment, job creation, spin-off jobs, incentives, and a pay-back period or return on SEDCO's investment.

The Renew Blue contract was approved but is yet to be operational. They still have some time to perform, but if they don't the agreement disappears. In no way will an incentive be paid prior to the actual start-up of the business and meeting the milestones contained in the agreement.

Commissary Express is in the process of establishing a small distribution system that provides retail items to jail commissaries.

Mr. Gadek said they currently have two active projects for use of the MEMC building and hopefully those will move forward. SEDCO continues to work with HCK2 to advance the marketing efforts, including booklets and advertisements.

Scott Connell, former President of SEDCO, was involved with advancing the strategy with the various DFW allies, and Mr. Gadek said they hope to see more positive results next year.

One goal of SEDCO was to establish Sherman as a retail market center, and they worked with Barrett Hospitality for an \$868,186 investment with 20 jobs. The incentive for the project was \$32,600. This project was for the Old Iron Post Restaurant, and by all accounts they are doing well.

SEDCO also maintains and manages real estate such as Progress Park. They recently purchased 13.41 acres on East FM 1417, formerly a truck stop that is now a Mexican restaurant. The property will be combined with the adjacent property owned by the City of Sherman to create a 22 acre parcel. The restaurant is being relocated to the downtown area and the other two businesses are also being relocated.

Mr. Gadek said the plan is to raze the buildings, clear the concrete slabs, remove the fuel tanks, and hopefully have a "clean" site for sale by the end of the year. The second project is a spec building in Midway Industrial Park.

Mr. Gadek said another goal is to raise Sherman's profile in local, state, national, and international markets, and he felt Mr. Plotnik's experience and background would help in this area and he expected a more favorable result for next year's work program.

Mr. Hull expressed SEDCO's appreciation for the work with the City Council, especially this year, on many of these projects. He felt the communication that exists between these two entities was phenomenal this year. He felt the program of work for the past year was reflective of the tie they have together and the communication that exists between SEDCO and the City Council, and added that he was grateful to the Council for their active involvement in the actions of SEDCO.

Mr. Gadek outlined the 2015-2016 Work Program for SEDCO, which is very similar to this past year with the goals and mission. The only real changes are that things accomplished this year were not reflected in next year's program. He said this would allow Mr. Plotnik an opportunity to continue his first year with the same format and then make changes going forward that he feels would be necessary.

The upcoming goals are identical to the 2015 goals, but instead of results, a list of actions are outlined. He presented the actions for the Work Program.

Goal B outlines the recruiting of targeted national and international primary employers. Council Member Steele said the median wage rate is listed at \$15. He asked if a prospect has a lower median wage, would SEDCO still try to recruit them. Mr. Gadek said they would, even though they would like to capture as many higher paying jobs as possible. The reality is that there is a spread in wages. They would hope to exceed that number when possible.

Mr. Gadek added that another partner they have in recruiting is Workforce Solutions Texoma, which is an integral partner in reaching these goals.

He reiterated that the actions for targeting DFW Metroplex allies to attract business investment may change under the direction of Mr. Plotnik.

Establishing Sherman as a retail market center is important to both SEDCO and the City Council, and a fair amount of retail has been added this past year to Sherman's retail base. SEDCO's 3/8 of one cent in sales tax would not exist if it wasn't for these retail centers. Currently this 3/8 of one cent equates to about \$3 million annually that can be used to provide incentives to various economic development projects.

Mr. Gadek said when the property at FM 1417 and US Hwy 75 is available to market, it will be one of SEDCO's first ventures in private development. There is also several hundred acres of industrial property owned by SEDCO that is available to prospects. Sherman is one of the few communities in Texas that still offers sites served by industrial rail spurs. With the infrastructure in place and the infrastructure to come, Sherman is in a very positive position.

He said SEDCO could do a better job in attracting businesses from outside the area. There is a lot of interest in the solar market with companies from China and Germany.

Motion was made by SEDCO Member Key to approve the SEDCO Work Program for FY 2015-2016, as presented and was seconded by SEDCO Member Steele. Motion passed unanimously.

Mayor Wacker asked if there were any questions about the SEDCO Work Plan as proposed. Council Member Steele said SEDCO is not in the real estate business, but he asked if there was any plan to build spec buildings since there are none available in the area.

Mr. Hull said SEDCO would soon release an incentive agreement with a local industry developer to have a spec building

constructed to test the market, prior to doing that in SEDCO's industrial park. He said that was a major consideration, but they want to be smart about it and see what the market will drive.

Motion was made by Council Member Sofey to approve the SEDCO Work Program for FY 2015-2016, as presented and was seconded by Deputy Mayor Plyler. Motion passed unanimously.

PRESIDENT'S PRESENTATION OF THE 2015-2016 SEDCO BUDGET

Mr. Gadek presented SEDCO's proposed FY 2015-2016 budget. He said the percentage of projected revenue is the same as the City uses for projecting sales tax revenue. The ending fund balance for FY 2014-2015 is projected to be \$6,665,057, which becomes the beginning fund balance for FY 2015-2016. Projected revenue for the coming year is \$3.4 million.

He also outlined expenses, saying total administrative expenses are at \$431,508, with the increase primarily for the addition of a staff person. The total operating expenses are at \$131,045, with a 3.8% change. Mr. Gadek said expenses associated with programs are budgeted at \$398,906. They did budget some additional money for the celebration of SEDCO's 20th anniversary, which will be held in April 2016. The total expenses for FY 2015-2016 are budgeted at \$961,459, and include administrative, operating and program expenses. The increases in the budget have been due to activity and revenue. He said SEDCO is a mature, fully functional economic development organization and has been for a number of years.

Mr. Hull added that, in a time when other organizations struggle with making their budgets, SEDCO is financially sound and is poised for a very productive future. He felt that some of the growth that is seen in the budget is a direct response of having a very significant growth initiative for the community. Mr. Hull said that is done with a stable footing that has been established through a number of years of well-managed assets and a continued relationship with the City Council on providing the City the best economic development opportunities that exist.

Mr. Gadek said the proposed budget also includes the scheduled incentive payouts, including those for Sherman Panda Power and GlobiTech. The FY 2015-2016 budget proposes \$1.7 billion for these existing incentive payouts, which does not include any new projects that might be approved after this point.

Mr. Gadek reiterated that the ending fund balance is projected to be \$5,656,230.

Mayor Wacker said the proposed budget has been approved by SEDCO and she asked if Council Members had any questions. There were no questions.

CONSIDER FOR APPROVAL THE SEDCO BUDGET FOR FY 2015-2016

Mayor Wacker said the SEDCO Board has already approved their budget and asked if Council Members had any questions. There were no questions.

Council Member Steele made a motion to approve the SEDCO Budget for FY 2015-2016, as presented and was seconded by Deputy Mayor Plyler. Motion passed unanimously.

Mr. Hull said two changes were made since the last approval of their budget and the SEDCO Board needs to make a formal approval of the budget. Brandon Shelby, City Attorney, said this was not an agenda item and could not be included. Mrs. Jones said it was included on SEDCO's posting.

Mayor Wacker explained that the item was not included on the City's agenda posting, however SEDCO has also posted their meeting, and it was listed as an agenda item on that posting.

Mr. Hull explained that there were some small changes on the benefits portion because of Mr. Connell's leaving. There were also some minor changes. He said in order to make it "clean," the Board needs to approve those changes.

Motion was made by SEDCO Member Sild to approve the SEDCO Budget for FY 2015-2016, as presented and was seconded by SEDCO Member Kirkpatrick. Motion passed unanimously.

ADJOURNMENT

No other business came before the City Council or SEDCO Board. The meeting adjourned at 12:40 p.m.

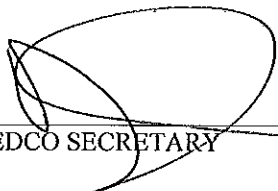
CERTIFICATION OF VICE-CHAIRMAN AND SECRETARY

I, Willie Steele, Board Vice-Chairman, and I, David Key, Board Secretary, do certify that these minutes of the Executive Session of the Sherman Economic Development Corporation of the City of Sherman, Texas are a true and correct record of the proceedings with Chapter 551, Govt. Code, V.T.C.S, Open Meetings Law.



SEDCO VICE-CHAIRMAN

ATTEST:



SEDCO SECRETARY