



ECONOMIC DEVELOPMENT CORPORATION

NOTICE OF MEETING

AGENDA

MARCH 28, 2024

6:00 P.M.

The City of Schertz Economic Development Corporation (SEDC) Board of Directors will hold a regular monthly meeting on Thursday, MARCH 28, 2024, at 6:00 p.m. at the Hal Baldwin Municipal Complex, Council Chambers Conference Room, Building No. 4, 1400 Schertz Parkway, Schertz, Texas. This is an open meeting, subject to the open meeting laws of the State of Texas.

In accordance with provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code notice is hereby given that a Possible Quorum of the governing body of the City of Schertz, Texas may take place at this meeting.

Public Hearing

Call to Order

1. Roll call, recognition of visitors, and review of meeting instructions for effective Board interaction and public participation.

Hearing of Residents

2. *This time is set aside for any person who wishes to address the Board. Presentations should be limited to no more than 3 minutes. The presiding officer will call on those persons who have signed up to speak.*

Minutes

3. Approval of the minutes for the Board of Directors Regular Monthly Meeting held Thursday, February 22, 2024. (T.Miller)

Presentations

4. Staff briefing on SEDC monthly financial statement for the month of February 2024. (J.Walters)
5. Presentation on Annual Certifications. (H.Malish)
6. Presentation by Perry Rizzo with Axiom Group, Inc. (S.Wayman)

Public Hearing

7. **Resolution 2024-2** - Authorizing an Economic Development Performance Agreement between the City of Schertz Economic Development Corporation and Axiom Group, Inc. (S.Wayman)

Discussion Items

8. **Resolution 2024-3** - Approval of the Independent Auditor's Report for the SEDC Annual Financial Report for the Year Ending September 30, 2023. (Travis Roger, CPA, Audit Supervisor of Pattillo, Brown and Hill, LLP/J.Walters)
9. **Resolution 2024-1** - Approval of Amended SEDC Mission Statement and Goals. (S.Wayman/H.Malish/A.Ritchey)

Closed Session

10. Called in accordance with Section 551.087 of the Texas Government Code, Deliberation Regarding Economic Development Negotiations; Closed Meeting. The governmental body is not required to conduct an open meeting (1) to discuss or deliberate regarding commercial or financial information that the governmental body has received from a business prospect that the governmental body seeks to have locate, stay, or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations; or (2) the deliberate the offer of a financial or other incentive to a business prospect.
 - Project E-86
 - Project E-94

Reconvene to Regular Session

11. Take any actions based on discussion held in closed session under Agenda Item No. 10.
12. **Resolution 2024-2** - Authorizing an Economic Development Performance Agreement between the City of Schertz Economic Development Corporation and Axiom Group, Inc. (S.Wayman)

Requests and Announcements

- Announcements by staff:
 - Next Regular Board Meeting - April 25, 2024
- Requests by Board Members to place items on a future SEDC Board Meeting agenda.

Adjournment

CERTIFICATION

I, Tracy Miller, Administrative Assistant, of the City of Schertz Economic Development Corporation, do hereby certify that the above agenda was posted on the official bulletin boards on this the **22nd** day of **March, 2024**, at 5:00 p.m., which is a place readily accessible to the public at all times and that said notice was posted in accordance with chapter 551, Texas Government Code.

Tracy Miller

Administrative Assistant- Economic
Development

I certify that the attached notice and agenda of items to be considered by the Schertz Economic Development Corporation Board of Directors was removed from the official bulletin board on ____ day of _____, 2024.
Name/Title:_____

This facility is accessible in accordance with the Americans with Disabilities Act. Handicapped parking spaces are available. If you require special assistance or have a request for sign interpretative services or other services, please call 210-619-1070.

The Economic Development Corporation Board of Directors reserves the right to adjourn into closed session at any time during the course of this meeting to discuss any of the matters listed above, as authorized by the Texas Open Meetings Act.

Closed Sessions Authorized: This agenda has been reviewed and approved by the City's legal counsel and the presence of any subject in any Closed Session portion of the agenda constitutes a written interpretation of Texas Government Code Chapter 551 by legal counsel for the governmental body and constitutes an opinion by the attorney that the items discussed therein may be legally discussed in the closed portion of the meeting considering available opinions of a court of record and opinions of the Texas Attorney General known to the attorney. This provision has been added to this agenda with the intent to meet all elements necessary to satisfy Texas Government Code Chapter 551.144(c) and the meeting is conducted by all participants in reliance on this opinion.

SEDC MEMORANDUM

SEDC
Board Meeting: 03/28/2024
Department: Economic Development Corporation
Subject: Approval of the minutes for the Board of Directors Regular Monthly Meeting held Thursday, February 22, 2024. (T.Miller)

SUBJECT:

Approval of the minutes for the Board of Directors Regular Monthly Meeting held Thursday, February 22, 2024. (T.Miller)

Attachments

02-22-2024

SCHERTZ

ECONOMIC DEVELOPMENT CORPORATION

MINUTES

Thursday, February 22, 2024

The City of Schertz Economic Development Corporation (SEDC) Board of Directors met for a Regular Monthly Meeting on Thursday, February 22, 2024. at 6:00 p.m. at the Hal Baldwin Municipal Complex, Council Chambers Conference Room, Building No. 4, 1400 Schertz Parkway, Schertz, Texas. This was an open meeting, subject to the open meeting laws of the State of Texas.

In accordance with provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code notice is hereby given that a Possible Quorum of the governing body of the City of Schertz, Texas may take place at this meeting.

Call to Order

1. Roll call, recognition of visitors, and review of meeting instructions for effective Board interaction and public participation.

Board President Sammi Morrill presided over the meeting and called it to order at 6:00 p.m.

Board of Directors Present:

Sammi Morrill, Board President
Bill Dixon, Board Vice President
Henry Hayes, Board Secretary
Donna Steward, Board Treasurer
Mark Moody, Board Member
Eryn McElroy, Board Member
Reynaldo "Ray" Chavez, Board Member

Staff Present:

Scott Wayman, Executive Director
Holly Malish, Deputy Director
Ashley Ritchey, Business Engagement Manager
Tracy Miller, Administrative Assistant
Brian James, Deputy City Manager

Other Present:

Samuel Haas, Senior Planner
John Nowak, Engineer
Tim Brown, Councilmember, City Council EDC Liaison
Robert Marks Jr., Citizen

Hearing of Residents

2. *This time is set aside for any person who wishes to address the Board. Presentations should be limited to no more than 3 minutes. The presiding officer will call on those persons who have signed up to speak.*
 - Ashley Ritchey, Business Engagement Manager spoke on the Chamber Leadership Core and her participation.

Minutes

3. Approval of the minutes for the Board of Directors Regular Monthly Meeting held Thursday, January 25, 2024. (T.Miller)

Board President Sammi Morrill asked for a motion to approve the Minutes of the Board of Directors Regular Monthly Meeting held on Thursday, January 25, 2024.

Motion by Board Member Ray Chavez, seconded by Board Treasurer Donna Steward.

AYE: Board President Sammi Morrill, Board Vice President Bill Dixon, Board Secretary Henry Hayes, Board Treasurer Donna Steward, Board Member Mark Moody, Board Member Eryn McElroy, Board Member Ray Chavez.

Unanimous affirmative vote - Motion carries.

Presentations

4. Staff briefing on SEDC monthly financial statement for the month of January 2024. (S.Wayman)

Scott Wayman, Executive Director, provided a summary and overview of the SEDC Financial Statement for the month of January 2024.

January 2024 sales tax received was \$494,034.45, expenses were \$15,192.67, a 3.3% increase over the year prior. The 12-month rolling average is 6.0% still trending up. Notable expenditures include payments to Salesforce, Group C Media, and Hootsuite, Inc. for service members/contracts. Denton Navarro for legal services and Oak Valley Vineyard for December board meeting expenses. Total Cash & Investment figure at the end of January was \$34.3 million.

While interest rates remain high, investment income is still double from this time last year and is almost halfway to its annual estimate.

Discussion Items

5. Briefing and discussion on City of Schertz Comprehensive Plan. (S.Haas)

Samuel Haas, Senior Planner gave a brief update of the City of Schertz Comprehensive Plan. The current plan being used was adopted in 2002. Sector Plans Supplements were adopted in 2013. The lifespan of these documents is about 20 years. The new drafted plan consists of Community Snapshot, Focus Areas and Engagement, Land Use and Economic Strategy and Appendices.

Tentative Schedule for adoption of the new 2024 Comprehensive Plan:

1. Planning and Zoning Commission Meeting (Advisory Committee) - March 6, 2024
 2. City Council First Reading - March 19, 2024
 3. City Council Final Reading and Adoption - April 2, 2024
6. Briefing and discussion on proposed Main Street Design. (B.James)

Brian James, Deputy City Manager and John Nowak, Engineer gave a brief update on the Main Street Overall Design and the Engineering Design Concept.

- Preliminary Engineering to develop initial design concept completed
- Met with the Main Street Committee multiple times to gather input and develop a vision for Main Street
- Submitted 70% design plans in 2023
- Coordinated with all impacted utilities on Main Street as well as Texas Department of Transportation (TxDOT)

- Pavement reconstruction
- Decorative pavement at key locations
- Crosswalk patterns
- Retaining walls
- Street section design
- Utilities
- Required Infrastructure

The estimated cost of the project is \$24.4 million.

Workshop

7. Staff and Board discussion restructuring SEDC Goals and Mission Statement. (H.Malish/A.Ritchey)

Ashley Ritchey, Business Engagement Manager gave an overview of the Mission Statement discussion from the January 25, 2024, meeting and presented the proposed Mission Statement.

The Board approved to go forward with the proposed Mission Statement.

Holly Malish, Deputy Director gave a brief overview of the suggested Goals. After a brief discussion, the Board approved to go forward with the proposed Goals.

The Mission Statement and Goals will be approved by resolution at the next board meeting.

Board President Sammi Morrill recessed Open Session to Closed Session at 7:08 p.m.

Closed Session

8. Called in accordance with Section 551.087 of the Texas Government Code, Deliberation Regarding Economic Development Negotiations; Closed Meeting. The governmental body is not required to conduct an open meeting (1) to discuss or deliberate regarding commercial or financial information that the governmental body has received from a business prospect that the governmental body seeks to have locate, stay, or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations; or (2) the deliberate the offer of a financial or other incentive to a business prospect.

- Project E-86

Start time: 7:08 p.m.

End time: 7:37 p.m.

Board President Sammi Morrill reconvened to Open Session at 7:37 p.m.

Reconvene to Regular Session

9. Take any actions based on discussion held in closed session under Agenda Item No. 8.

No action was taken based on discussion in Closed Session.

Requests and Announcements

- Announcements by staff:
 - SEDC Lunch & Learn at Schertz Civic Center - March 6, 2024
 - Next Regular Board Meeting - March 28, 2024
- Requests by Board Members to place items on a future SEDC Board Meeting agenda.

Adjournment

Board President Sammi Morrill asked for a motion to adjourn the meeting.

Motion by Board Member Ray Chavez, seconded by Board Treasurer Donna Steward.

AYE: Board President Sammi Morrill, Board Vice President Bill Dixon, Board Secretary Henry Hayes, Board Treasurer Donna Steward, Board Member Mark Moody, Board Member Eryn McElroy, Board Member Ray Chavez.

Board President Sammi Morrill adjourned the meeting at 7:41 p.m.

MINUTES PASSED AND APPROVED THIS ____ DAY _____ 2024.

Sammi Morrill
Board President

Henry Hayes
Board Secretary

SEDC MEMORANDUM

SEDC
Board Meeting: 03/28/2024
Department: Economic Development Corporation
Subject: Staff briefing on SEDC monthly financial statement for the month of February 2024. (J.Walters)

SUBJECT:
Staff briefing on SEDC monthly financial statement for the month of February 2024. (J.Walters)

Attachments

February 2024 Financials

CITY OF SCHERTZ
REVENUE AND EXPENSE REPORT (UNAUDITED)
AS OF: February 29th, 2024

***** 2 0 2 3 - 2 0 2 4 *****

620-SED CORPORATION
FINANCIAL SUMMARY

OVERVIEW

Revenues

Sales Tax	\$ 589,276.32	Payment Received in February
	-4.0%	Annual Decrease
	6.2%	12-Month Rolling Average

Expenses

Health Tx Company	\$ 25,000.00
Team Texas Membership	\$ 8,000.00
SSG 2024 Conf-Nashville	\$ 2,450.00
Winter Conf-Comm Sponsor	\$ 1,075.00

Year-to-Date

Total Revenue	\$ 3,848,998.85	
Total Expenses	<u>\$ 498,748.70</u>	
Over/Under		<u>\$ 3,350,250.15</u>

Cash & Investments

Cash	\$ 807,314.45	
Investments	<u>\$ 34,298,669.38</u>	
Total		<u>\$ 35,105,983.83</u>

*sales taxes are delayed 2 months from received to earned. Sales Taxes recognized in report are estimates and are adjusted to actual when payments are received.

CITY OF SCHERTZ
REVENUE AND EXPENSE REPORT (UNAUDITED)
AS OF: February 29th, 2024

***** 2023 - 2024 *****							
620-SED CORPORATION	CURRENT	CURRENT	PRIOR YEAR	CURRENT	Y-T-D	BUDGET	% OF
FINANCIAL SUMMARY	BUDGET	PERIOD	Y-T-D ACTUAL	Y-T-D ACTUAL	ENCUMBR	BALANCE	BUDGET
<u>REVENUE SUMMARY</u>							
Taxes	7,092,000	641,562.59	2,579,010.09	2,889,734.82	-	4,202,265.18	40.75%
Fund Transfers	-	-	-	190,392	-	(190,392)	0.00%
Miscellaneous	1,315,000	149,676.92	418,880.39	768,872.37	-	546,127.63	58.47%
TOTAL REVENUES	8,407,000	791,239.51	2,997,890.48	3,848,998.85	-	4,558,001.15	45.78%
<u>EXPENDITURE SUMMARY</u>							
<u>NONDEPARTMENTAL</u>							
City Assistance	3,027,510	25,000.00	50,000.00	25,000.00	-	3,002,510.00	0.83%
Fund Charges/Transfer	8,650,000	-	-	-	-	8,650,000.00	0.00%
TOTAL NONDEPARTMENTAL	11,677,510	25,000	50,000	25,000.00	-	11,652,510.00	0.21%
<u>ECONOMIC DEVELOPMENT</u>							
Supplies	1,000	-	252.06	207.11	-	792.89	20.71%
City Support Services	21,200	-	5,470.25	4,170.88	87.99	16,941.13	20.09%
Utility Services	975	-	49.00	53.01	-	921.99	5.44%
Operations Support	441,610	15,081.70	57,292.88	188,124.78	5,339.16	248,146.06	43.81%
Staff Support	24,575	1,052.55	8,009.86	6,263.42	461.25	17,850.33	27.36%
City Assistance	205,000	4.00	3,050.00	39.00	-	204,961.00	0.02%
Professional Services	61,300	105.00	5,362.00	1,449.00	-	59,851.00	2.36%
Fund Charges/Transfers	546,883	-	271,110.50	273,441.50	-	273,441.50	50.00%
Operating Equipment	5,000	-	278.12	-	-	5,000.00	0.00%
TOTAL ECONO DEVELOPMENT	1,307,543	16,243.25	350,874.67	473,748.70	5,888.40	827,905.90	36.68%
TOTAL EXPENDITURES	12,985,053	41,243.25	400,874.67	498,748.70	5,888.40	12,480,415.90	3.89%
** REVENUE OVER(UNDER) EXPEND	(4,578,053)	749,996.26	2,597,016	3,350,250			

CITY OF SCHERTZ

REVENUE REPORT (UNAUDITED)

AS OF: February 29th, 2024

***** 2023 - 2024 *****							
620-SED CORPORATION REVENUES	CURRENT BUDGET	CURRENT PERIOD	PRIOR YEAR Y-T-D ACTUAL	CURRENT Y-T-D ACTUAL	Y-T-D ENCUMBR	BUDGET BALANCE	% OF BUDGET
<u>Taxes</u>							
000-411500 Sales Tax Revenue (4B)	<u>7,092,000</u>	<u>641,562.59</u>	<u>2,579,010.09</u>	<u>2,889,734.82</u>	<u>-</u>	<u>4,202,265.18</u>	<u>40.75%</u>
TOTAL Taxes	7,092,000	641,562.59	2,579,010.09	2,889,734.82	-	4,202,265.18	40.75%
<u>Fund Transfers</u>							
000-486000 Transfer In	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,391.66</u>	<u>-</u>	<u>(190,391.66)</u>	<u>0.00%</u>
TOTAL Fund Transfers	-	-	-	190,391.66	-	(190,391.66)	0.00%
<u>Miscellaneous</u>							
000-491000 Interest Earned	15,000	720.75	5,623.82	6,040.52	-	8,959.48	40.27%
000-491200 Investment Earnings	<u>1,300,000</u>	<u>148,956.17</u>	<u>413,256.57</u>	<u>762,831.85</u>	<u>-</u>	<u>537,168.15</u>	<u>58.68%</u>
TOTAL Miscellaneous	1,315,000	149,676.92	418,880.39	768,872.37	-	546,127.63	58.47%
<hr/>							
TOTAL REVENUES	8,407,000	791,239.51	2,997,890.48	3,848,998.85	-	4,558,001.15	45.78%
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SED CORPORATION
CASH IN BANK AND INVESTMENTS

AS OF: February 29th, 2024

Cash in Bank

Claim on Operating Cash Pool-Checking	\$ 807,314.45
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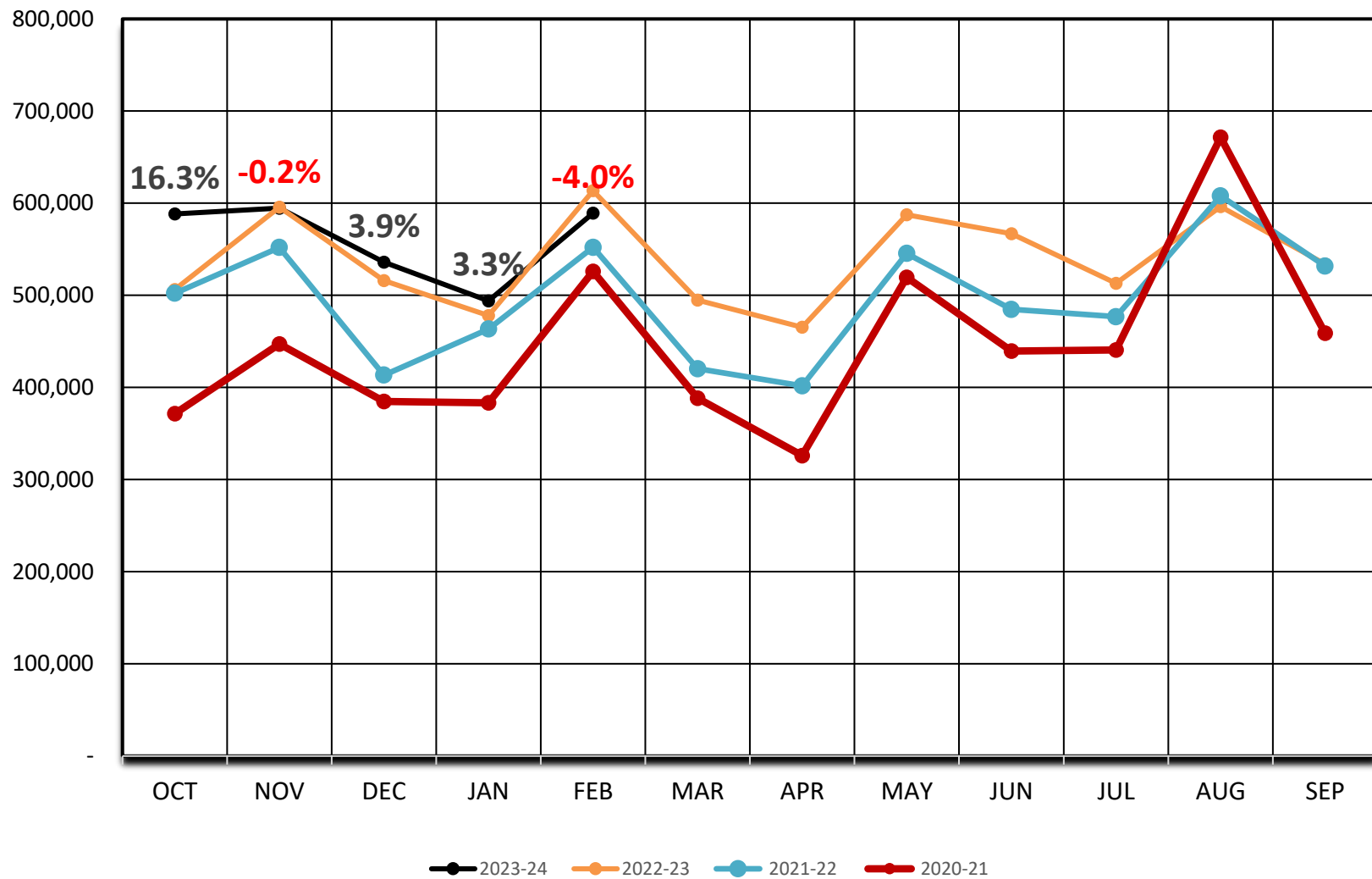
Cash in Investments

Texas Class Investment-Economic Development Corp	31,989,452.09
Schertz Bank & Trust-Certificate of Deposit 1 Year	1,135,273.80
Schertz Bank & Trust-Certificate of Deposit 6 Month	<u>1,173,943.49</u>

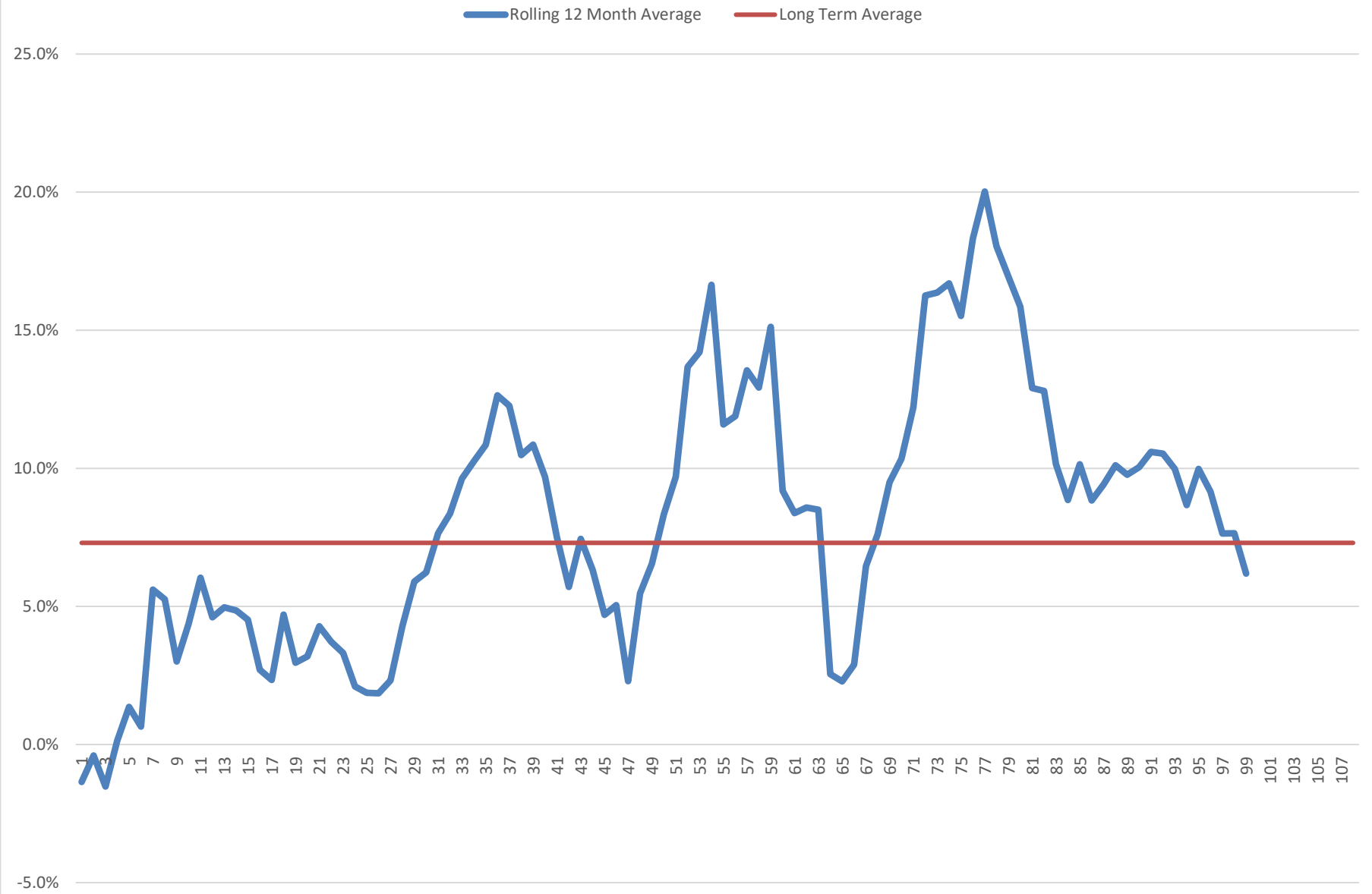
Total Cash in Bank & Investments	<u>\$ 35,105,983.83</u>
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4B SALES TAX

By Collection Month



12 Month Rolling Average Oct 2014 - Present



February 2024 PAYABLES REPORT

FUND		VENDOR NAME	DESCRIPTION	AMOUNT
Economic Development	PROJECTS	PHYSICIAN PRIME CARE MANAGEMENT, LTD	Health Tx Company	25,000.00
	SED CORPORATION	TEDC	Team Texas Membership	8,000.00
			Winter Conf-Comm Sponsor	1,075.00
			Excellence Reogn fee	100.00
			Active Membership Renewal	550.00
		UBEO	Monthly Copier Charges	276.55
		SITE SELECTORS GUILD, INC	SSG 2024 Conf-Nashville	2,450.00
		HOLLY MALISH	Per diem	32.00
			Mileage	41.58
		SCOTT WAYMAN	TCMA MTG-02/23/2024	50.00
		ASHLEY RITCHEY	Per diem	32.00
			Mileage	41.58
		DENTON, NAVARRO	Legal Services - Jan 2024	105.00
		CITIBANK	Southwest Airlines	295.96
			Americana Coffee Bar	19.72
			Northeast Partnership	20.00
			Shuttlefinder	78.85
			Embassy Suites-Denton	378.38
			Chili's	200.00
			Notarize Inc	4.00
			Northeast Partnership	20.00
			Jimmy John's	48.16
			Adobe Stock-February	29.99
			Survey Monkey-Annual	468.00
			ICSC LV-Registration	850.00
			ICSC LV-Membership	125.00
			ICSC LV-Reg-S.Williams	850.00
			Grey House Blooms	75.00
			Feb Chamber Luncheon	22.00
		CITY OF SCHERTZ	Postage	<u>4.48</u>
			SUBTOTAL:	16,243.25
			TOTAL:	\$41,243.25

SEDC MEMORANDUM

SEDC
Board Meeting: 03/28/2024
Department: Economic Development Corporation
Subject: Resolution 2024-3 - Approval of the Independent Auditor's Report for the
SEDC Annual Financial Report for the Year Ending September 30, 2023.
(Travis Roger, CPA, Audit Supervisor of Pattillo, Brown and Hill,
LLP/J.Walters)

BACKGROUND

Per State law requirements, the City of Schertz, and the City of Schertz Economic Development Corporation ("SEDC") contract an independent licensed public accounting firm to perform an annual financial audit. For FY 2022-2023 year, the CPA firm Pattillo, Brown, and Hill, LLP performed the audit. The Finance Director and SEDC Executive Director have reviewed the audit findings and financial statements as presented by the auditor.

During the Board meeting, the Audit Partner will make a presentation showing the financial performance and financial health of the SEDC for the previous fiscal year ending on September 30, 2023. The Board of Directors will review the audit report attached hereto as Exhibit A. The Board will be asked to make a formal vote for approval/disapproval.

COMMUNITY BENEFIT

The audit helps ensure that the SEDC funds are managed in accordance with the highest level of standards.

FISCAL IMPACT

The SEDC audit cost is budgeted and will be charged to the Auditor/Accounting Services line item.

SUMMARY OF RECOMMENDED ACTION

Staff recommends approval of SEDC Resolution 2024-3.

Attachments

Res. 2024-3
FY 2023 Financial Audit

SEDC RESOLUTION NO. 2024-3

A RESOLUTION BY THE CITY OF SCHERTZ ECONOMIC DEVELOPMENT CORPORATION ("SEDC") BOARD OF DIRECTORS ("THE BOARD") AUTHORIZING THE APPROVAL OF THE INDEPENDENT AUDITOR'S REPORT FOR THE SEDC ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2023, AND OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, the City of Schertz Economic Development Corporation ("SEDC") is a non-profit industrial development corporation duly established under the Development Corporation Act of 1979, as amended (Section 501.001 et seq. Texas Local Government Code ("the Code" formerly the Development Corporation Act of 1979) (the "Act"); and

WHEREAS, all of the powers of the corporation are vested in the SEDC Board of Directors (the "Board") appointed by the governing body of the corporation's authorizing unity; and

WHEREAS, the Texas Local Government Code, Section 103.001 requires that local governments complete an annual audit by an independent licensed public accounting firm; and

WHEREAS, the City of Schertz and the SEDC contracted with CPA Pattillo, Brown and Hill, LLP to perform the audit for Independent Auditor's Report for the SEDC Annual Financial Report for the Year ended September 30, 2023; and

WHEREAS, the SEDC staff has cooperated with CPA Pattillo, Brown and Hill, LLP to provide any information necessary to account for SEDC activities for SEDC Annual Financial Report for the Year ended September 30, 2023.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF SCHERTZ ECONOMIC DEVELOPMENT CORPORATION THAT:

Section 1. The Board hereby authorizes the approval of the Independent Auditor's Report for the SEDC Annual Financial Report for the Year ended September 30, 2023, attached hereto as Exhibit A.

Section 2. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Board.

Section 3. All resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

Section 4. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

Section 5. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the Board hereby declares that this Resolution would have been enacted without such invalid provision.

Section 6. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, Texas Government Code, as amended.

Section 7. This Resolution shall be in force and effect from and after its final passage, and it is so resolved.

PASSED AND ADOPTED, this ____ day of _____ 2024.

CITY OF SCHERTZ ECONOMIC
DEVELOPMENT CORPORATION

Sammi Morrill, SEDC Board President

ATTEST:

Henry Hayes, SEDC Board Secretary

EXHIBIT A

The Independent Auditor's Report for the SEDC Annual Financial Report for the
Year Ended September 30, 2023

(See Attached)

**CITY OF SCHERTZ ECONOMIC
DEVELOPMENT CORPORATION**

(A COMPONENT UNIT OF THE CITY OF SCHERTZ, TEXAS)

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2023**

DRAFT

SCHERTZ ECONOMIC DEVELOPMENT CORPORATION

SEPTEMBER 30, 2023

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Corporate Officials	i
FINANCIAL SECTION	
Independent Auditor's Report.....	1 - 3
Management's Discussion and Analysis.....	4 - 7
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet.....	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	11
Statement of Revenues, Expenditures and Changes in Fund Balance.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities.....	13
Note to the Financial Statements	14 - 19
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance Balance – Budget and Actual	20 - 21
Notes to the Required Supplementary Information.....	22
SUPPLEMENTARY INFORMATION	
Comparative Balance Sheets	23
COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 - 25

CITY OF SCHERTZ ECONOMIC DEVELOPMENT CORPORATION

CORPORATE OFFICIALS

AS OF SEPTEMBER 30, 2023

PRESIDENT..... DR. SAMMI MORRILL
VICE-PRESIDENT BILL DIXON
SECRETARY HENRY HAYES
TREASURER DONNA STEWARD
DIRECTOR..... ERYN MCELROY
DIRECTOR..... MARK MOODY
DIRECTOR..... REY CHAVEZ
EXECUTIVE DIRECTOR SCOTT WAYMAN

DRAFT



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Schertz Economic Development Corporation
Schertz, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and general fund of the Schertz Economic Development Corporation, a component unit of the City of Schertz, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Schertz Economic Development Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the general fund information of the Schertz Economic Development Corporation, a component unit of the City of Schertz, Texas, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Schertz Economic Development Corporation City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Schertz Economic Development Corporation's ability to continue as a going concern for twelve months beyond the financial statement due date, including any currently know information that may raise substantial doubt shortly thereafter.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Schertz Economic Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Schertz Economic Development Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Schertz Economic Development Corporation's fiscal year 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in a report dated March 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Schertz Economic Development Corporation's basic financial statements. The supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report (AFR). The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2024, on our consideration of the Schertz Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Schertz Economic Development Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Schertz Economic Development Corporation's internal control over financial reporting and compliance.

Waco, Texas
March 19, 2024

**SCHERTZ ECONOMIC DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE CITY OF SCHERTZ, TEXAS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2023

Our discussion and analysis of the City of Schertz Economic Development Corporation's, a component unit of the City of Schertz, financial performance provides an overview of the Corporation's financial activity for the fiscal year ended September 30, 2023. It should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The Corporation's net position was \$33,049,313 at September 30, 2023, an increase of \$6,941,682. This was primarily attributable to growth in the Corporation's sales tax revenue, and lower-than-expected economic incentive payments.
- The Corporation's total governmental fund revenues were \$7,811,287, while total expenditures (including transfers to the City) were \$858,581.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Schertz Economic Development Corporation was formed in 1998 under the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated, Article 5190.6, Section B. It receives the majority of its income from the one half of one percent sales tax adopted in 1998 for economic development in the City of Schertz.

This annual report consists of three parts; Management's Discussion and Analysis, Financial Statements and Required Supplementary Information. The Statement of Net Position and Activities provides information of the Corporation as a whole. The corporation's net position – the difference between assets and liabilities – are a way to measure financial health or financial position.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The *statement of activities* presents information showing how the Corporation's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation).

The government-wide financial statements present functions of the Corporation that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 7-8 of this report.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Corporation consist of governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources (modified accrual basis), as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and *governmental activities*. The basic governmental fund financial statements can be found on pages 9 – 11 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 – 17 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Corporation's General Fund budget. Required supplementary information can be found on pages 18 – 20 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Corporation, assets exceeded liabilities by \$33,049,313 as of September 30, 2023. A portion of the Corporation's total net position reflects its net investment in capital assets (e.g., furniture and equipment) less any related debt. The Corporation uses these assets in providing services; consequently, these assets are not available for operational types of future spending.

The remainder of the Corporation's net position is restricted for the purpose of promoting economic development within the City of Schertz.

SCHERTZ ECONOMIC DEVELOPMENT CORPORATION'S

NET POSITION

	2023	2022
Current assets	\$ 33,004,576	\$ 26,059,340
Noncurrent assets	53,479	64,503
Total Assets	33,058,055	26,123,843
Current liabilities	8,742	16,212
Total Liabilities	8,742	16,212
Investment in capital assets	53,479	64,503
Restricted for economic development	32,995,834	26,043,128
Total Net Position	\$ 33,049,313	\$ 26,107,631

Table 2 shows all of the expenses and revenues of the Corporation and is also presented on the accrual basis. General Revenues consists of the one half of one percent sales tax the corporation receives for economic development. The Corporation's net position increased primarily from increased sales tax revenues and lower-than-expected economic incentive payments. The reduced incentive payments are discussed in the budgetary highlights section below.

**SCHERTZ ECONOMIC DEVELOPMENT CORPORATION'S
CHANGES IN NET POSITION**

	Governmental Activities	
	2023	2022
Program revenues	\$ -	\$ -
General revenues	7,811,287	6,365,646
Total revenue	7,811,287	6,365,646
Total expenses	(869,605)	(2,001,109)
Change in net position	\$ 6,941,682	\$ 4,364,537

FINANCIAL ANALYSIS OF THE CORPORATION'S FUNDS

Total assets the year ended September 30, 2023, were \$33,004,576 with an ending fund balance of \$32,995,834. This represents an increase of \$6,952,706 over the previous year. This increase in fund balance relates primarily to the factors discussed previously.

General Fund Budgetary Highlights

The Corporation's expenditures were \$9,192,379 less than the \$10,050,960 budget. This stemmed primarily from budgeting for Economic development project payments that have not yet been made. The projects include Titan 312 Phase II, Cinestarz and Kellum Medical Building, totaling over \$3,000,000. Additional savings were realized through travel and training dollars savings due to a slow COVID recovery as well as salary savings due to turnover throughout the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Table 3 shows all capital assets of the Corporation. Total net capital assets were \$53,479. The Corporation did not purchase or dispose of any capital assets during the year.

**SCHERTZ ECONOMIC DEVELOPMENT CORPORATION'S
CAPITAL ASSETS**

	Governmental Activities	
	2023	2022
Land	\$ 53,991	\$ 53,991
Land improvements	38,967	38,967
Equipment and vehicles	28,533	28,533
Accumulated depreciation	(68,012)	(56,988)
Totals	\$ 53,479	\$ 64,503

Long-term Debt

The Corporation had no long-term debt as of and for the year ended September 30, 2023.

ECONOMIC FACTOR'S AND NEXT YEAR'S BUDGET AND RATES

Schertz continued to be solid throughout the FY 2023 year. The San Antonio area prospered and succeeded in the attraction of projects to the region. Financially, with sales tax being the source of revenue for the Schertz Economic Development Corporation (SEDC), the Corporation has continued to thrive, fund projects and designate reserves to prepare for projects. The Board of Governors of the Federal Reserve System published in its Dallas District that "Economic activity expanded at a modest pace over the reporting period, with most sectors holding steady or experiencing slight growth. Wage growth moderated and input cost of selling prices growth held slightly above average overall."

As another indicator of economic growth, the City of Schertz realized a 16.3% increase year-over-year in sales tax collections during FY 2023. The City has maintained a 8.3% rolling average over the 12-month period, which indicated the City has maintained its previous growth in recent years and continued its growth at historic averages.

Progress continued to be made on the three industrial parks, as the existing parks maintain high occupancy rates. This industrial development continued to push North along IH-35 and across FM 3009 with a combination of Boomerang Interests and Lovett Commercial partnering on two projects that received incentives from the SEDC to start a much-needed Town Creek sewer line. This project was contemplated in a study performed last year and funded by the SEDC. Doerr Lane Logistics Center was completed this year and partly occupied, with another 112,000 square foot warehouse/distribution center recently finished and looking for appropriate tenants. To top off the development in northern Schertz, Park 35 is moving dirt for their project, which will be 1.4M square foot of industrial warehouse, sitting on 119 acres on IH 35.

Caterpillar continues to excite the region with two more projects being incentivized in 2023. Projects Hydra and Aquos were both committed to funding from the Corporation to increase the engine components that are made at the facility. This Caterpillar addition promises increased capital investments in Schertz, estimated at \$24,000,000, and an increase in manufacturing jobs.

In Southern Schertz, the SEDC and City staff continue to work with CORE5 on a 1.7M sq. ft. development of speculative industrial product near the intersection of Loop 1604 and IH-10, kicking off industrial development along IH-10. The Corporation contributed incentives to this project to assist in the management of the stormwater conveyed across the site and into the watershed of the region, showing our dedication to safeguarding our environment.

Finally, the SEDC took an active role in the attraction and finalization of plans for a retail development that will serve the city for years to come. Located on 68 acres at the intersection of IH 35 and Cibolo Valley Drive, Schertz Station promises 250,000 square feet of retail space, along with 322 market-rate, built-to-rent single-family homes. The SEDC participated in the development with infrastructure funding that provided an extension of Ripps-Kreusler Drive, which enhanced our major thoroughfare plan as well as open other areas for development and utilities.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Corporation's finances and to show the Corporation's accountability to its taxpayers. If you have any questions about this report or need additional financial information, contact the Executive Director's office at City of Schertz Economic Development Corporation, 1400 Schertz Parkway, Schertz, Texas 78154.

SCHERTZ ECONOMIC DEVELOPMENT CORPORATION**STATEMENT OF NET POSITION**

SEPTEMBER 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 29,560,533
Investments	2,253,041
Accounts receivable	1,183,053
Accrued interest receivable	<u>7,949</u>
Total current assets	<u>33,004,576</u>
Noncurrent assets:	
Land	53,991
Buildings and improvements	38,967
Equipment and vehicles	28,533
Less: accumulated depreciation	<u>(68,012)</u>
Total noncurrent assets	<u>53,479</u>
Total assets	<u>33,058,055</u>
LIABILITIES	
Accounts payable	<u>8,742</u>
Total liabilities	<u>8,742</u>
NET POSITION	
Investment in capital assets	53,479
Restricted for economic development	<u>32,995,834</u>
Total net position	<u>\$ 33,049,313</u>

SCHERTZ ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
Governmental activities:			
Administration	\$ 604,829	\$ -	\$ (604,829)
Economic development	264,776	-	(264,776)
Total governmental activities	<u>\$ 869,605</u>	<u>\$ -</u>	<u>(869,605)</u>
General revenues			
Sales taxes			6,548,941
Interest revenues			<u>1,262,346</u>
Total general revenues			<u>7,811,287</u>
Change in Net Position			<u>6,941,682</u>
Net position - beginning			<u>26,107,631</u>
Net position - ending			<u>\$ 33,049,313</u>

The notes to the financial statements are an integral part of this statement.

SCHERTZ ECONOMIC DEVELOPMENT CORPORATION

**BALANCE SHEET
GOVERNMENTAL FUND**

SEPTEMBER 30, 2023

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 29,560,533
Investments	2,253,041
Accounts receivable - sales tax	1,183,053
Accrued interest receivable	<u>7,949</u>
Total assets	<u>33,004,576</u>
LIABILITIES	
Accounts payable	<u>8,742</u>
Total liabilities	<u>8,742</u>
FUND BALANCE	
Restricted for economic development	<u>32,995,834</u>
Total fund balance	<u>32,995,834</u>
Total liabilities and fund balance	<u>\$ 33,004,576</u>

SCHERTZ ECONOMIC DEVELOPMENT CORPORATION

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2023

Total fund balance	\$ 32,995,834
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	<u>53,479</u>
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Net position of governmental activities	<u>\$ 33,049,313</u>
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DRAFT

SCHERTZ ECONOMIC DEVELOPMENT CORPORATION**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>General Fund</u>
REVENUES	
Taxes	\$ 6,548,941
Interest revenues	<u>1,262,346</u>
Total revenues	<u>7,811,287</u>
EXPENDITURES	
Current:	
Economic development	264,776
Direct administration	<u>593,805</u>
Total expenditures	<u>858,581</u>
NET CHANGE IN FUND BALANCES	<u>6,952,706</u>
FUND BALANCE, BEGINNING OF YEAR	<u>26,043,128</u>
FUND BALANCE, END OF YEAR	<u>\$ 32,995,834</u>

SCHERTZ ECONOMIC DEVELOPMENT CORPORATION

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balance \$ 6,952,706

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In addition, capital assets contributed to governmental activities are not recorded on the fund statements.

Depreciation expense (11,024)

Change in net position of governmental activities \$ 6,941,682

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SCHERTZ ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

In 1998, the "City of Schertz Economic Development Corporation" (SEDC), a nonprofit corporation, was incorporated under the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated, Article 5190.6, Section B. SEDC is organized exclusively for public purposes of the City of Schertz, and the City Council appoints directors of SEDC. It receives the majority of its income from the one half of one percent sales tax adopted in 1998 for economic development in the City of Schertz. The City is directly liable for any debts of SEDC, and thus meets the criteria of a blended component unit of the City and is included as a special revenue fund in the financial statements of the City of Schertz.

The financial statements of SEDC have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Basis of Presentation

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units, as applicable. The effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenue. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Corporation had no business-type activities or component units as of and for the year ended September 30, 2023.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges of customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The governmental funds financial statements consist of the balance sheet and statement of revenues, expenditures and changes in fund balance. These financial statements have been adjusted to arrive at the government-wide financial statement balances (statement of net position and statement activities).

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Revenues accrued include interest earned on investments and income from Corporation operations. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service requirements, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The accounting system is organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, liabilities, fund balance, revenues and expenditures.

The Corporation reports the following governmental fund:

General Fund – The General Fund is used to account for all financial transactions of the Corporation. The principal sources of revenue are assessments to taxing authorities and interest earned on investments. Expenditures include all costs associated with the daily operations of the Corporation.

D. Cash and Cash Equivalents

Cash and cash equivalents include cash deposits and amounts deposited in investment pools. Investments with a maturity of 90 days or less are considered cash equivalents.

E. Investments

Investments consist of certificates of deposit; investments in Texas Cooperative Liquid Assets Securities System; and obligations of the U.S. government and its agencies. Investments for the Corporation are reported at fair value, except for the position in investment pools, which are reported at net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAM (or equivalent) rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

F. Related Party Transactions

During the course of operations, numerous transactions occur between SEDC and the City. Balances between the entities are classified as "due from primary government" or "due to primary government" on the balance sheet and statement of net position. Similarly, transactions occurring between the entities are labeled as primary government on the statement of activities and the statement of revenues, expenditures, and changes in fund balance. These transactions are reported as expenditures of the Corporation for reimbursements or as transfers when the Corporation is contributing additional resources to the Primary Government.

G. Capital Assets

Capital assets, which include land, buildings and improvements, machinery, equipment, vehicles, and infrastructure assets are reported in the governmental activities in the government-wide financial statements. Capital assets are defined by the Corporation as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements. Capital assets are valued at cost where historical records are available and at an estimated cost where no records exist. Donated capital assets, donated works of art and similar items received as part of a service concession arrangement are reported at acquisition value, rather than fair value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements to capital assets that materially extend the life of the asset or add to the value are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated over their useful lives on a straight-line basis as follows:

<u>Assets</u>	<u>Use Lives (Years)</u>
Buildings and Improvements	10 - 50
Machinery, equipment, and vehicles	2 - 20

H. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the statement of net position. Long-term liabilities, and related accrued interest payable, are recognized as a liability on the governmental fund financial statement (balance sheet) when due.

I. Fund Balance

Fund balances in governmental funds are classified as below:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted – Represents amounts that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed – Represents amounts that can only be used for a specific purpose because of a formal action by the highest level of decision-making authority (the Schertz City Council). Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action.

Assigned – Represents amounts which the Corporation intends to use for a specific purpose but do not meet the criteria of restricted or committed. The Board of Directors is the only entity that may make assignments at this time as the Board has not designated any other individuals with the authority to make assignments.

Unassigned – Represents the residual balance that may be spent on any other purpose of the Corporation.

When an expenditure meets multiple classifications of fund balance, the Corporation's policy is to consume the most restrictive provision first.

J. Net Position

Net position represents the difference between assets less liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed by laws or regulations of other governments.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

As of September 30, 2023, SEDC had the following investments:

Investment type:	Reported Value	Weighted Average Maturity (days)
Texas Class Local Government Pool	\$ 29,232,797	23
Certificate of Deposit	2,253,041	163
	<u>\$ 31,485,838</u>	<u>186</u>

Texas CLASS has redemption notice periods of one day and may redeem daily. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pools' liquidity.

Interest Rate Risk. As a means of limiting exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to highly liquid investments to meet unanticipated cash requirements, and/or to redeploy cash into other investments expected to outperform current holdings.

Credit Risk. The investment policy limits investments to obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas; obligations of states, agencies, contracts, cities, and other political subdivisions rated as to investment quality of not less than AAA by a nationally recognized investment firm. As of September 30, 2023, the Corporation's investments in the pooled investment funds were rated AAAM by Standard & Poor's.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2023, the Corporation's deposits were fully insured by FDIC and the City's pledged securities.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the governmental securities were held by its agent in the Corporation's name.

III. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2023 consists of sales tax collections held by the Texas State Comptroller at year end for the Corporation. Management considers the entire balance to be collectible.

IV. CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2023 was as follows:

	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 53,991	\$ -	\$ -	\$ 53,991
Total capital assets not being depreciated	53,991	-	-	53,991
Capital assets being depreciated:				
Land improvements	38,967	-	-	38,967
Equipment and vehicles	28,533	-	-	28,533
Total capital assets being depreciated	67,500	-	-	67,500
Accumulated depreciation:				
Land improvements	(11,689)	(1,948)	-	(13,637)
Equipment and vehicles	(45,299)	(9,076)	-	(54,375)
Total accumulated depreciated	(56,988)	(11,024)	-	(68,012)
Total capital assets being depreciated, net	10,512	(11,024)	-	(512)
Capital assets, net	\$ 64,503	\$ (11,024)	\$ -	\$ 53,479

V. EMPLOYEE BENEFITS

The Corporation has no responsibility for long-term payroll liabilities beyond current billings. The Corporation uses employees of the City of Schertz and is charged, per the service agreement with the City, the full cost of these employee's salaries and related benefits. This includes a pro-rata portion of contributions to the pension plan (through the City's involvement in the Texas Municipal Retirement System) and other postemployment benefits (the Supplemental Death Benefits Fund through the Texas Municipal Retirement System). The City and thus the Corporation have made all actuarially required contributions to the plans with no net pension obligation (or asset). More details about the plans and their funding status can be found in the City's annual financial report.

VI. TRANSACTIONS WITH CITY (PRIMARY GOVERNMENT)

The Corporation contributes amounts to the City for various purposes. For the year ending September 30, 2023, the Corporation paid \$542,221 for an allocation of fleet and administrative overhead costs, per the service agreement with the City. This expenditure is recorded in the Administration function and was equal to the original and final budgeted amount.

VII. ECONOMIC DEVELOPMENT AGREEMENTS

The City of Schertz Economic Development Corporation negotiates economic development incentive agreement on behalf of the SEDC and the City of Schertz (the City) on an individual basis. As of September 30, 2023 Schertz, had 17 active incentive agreements.

On May 2, 2017, the City and the Corporation approved the Schertz Incentive Policy which outlines the City's primary tools to attract commercial investment and promote economic development. Projects are selected on a case-by-case basis in accordance current policy and state laws at the discretion of the governing body. All incentive agreements are formalized through a performance agreement with specified terms and recapture criteria.

The SEDC Incentive program, authorized by Chapters 501, 502 and 505 of the Texas Local Government Code, enables the Corporation to fund allowable projects from the collection of one-half of one percent of sales tax proceeds collected in the City of Schertz. In accordance with state law, the SEDC Incentive Policy establishes grants and loans for businesses that create Primary Jobs for the following categories: Existing Businesses (3 years of operation within the City), Small Businesses (fewer than 50 full-time jobs or annual sales less than \$10 million), Large Impact Businesses (Up to \$100 million in taxable property), and Extra-Large Businesses (over \$100 million in taxable property). The Corporation's outstanding incentive agreement grants are as follows:

	<u>FY 2022-23 Amt.</u>	<u>Est. Remaining Grant</u>
SEDC - LGC 501.101	\$ 71,944	\$ 509,704
SEDC - LGC 501.103	50,000	13,028,000

VIII. RISK MANAGEMENT

The City of Schertz Economic Development Corporation is exposed to various risks of losses to torts; theft of, damage to, and destruction of assets; and errors and omissions. The Corporation, through the City, contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty. The provider is a multi-employer group that provides a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by TML. Liability for the Corporation is generally limited to the contributed amounts.

IX. COMMITMENTS AND CONTINGENCIES

Litigation - Management of the City of Schertz Economic Development Corporation is not aware of any pending or threatened litigation that would have a significant impact on the Corporation's financial statements.

Economic Development Agreements - As of the year ending September 30th 2023, the SEDC had a variety of development agreements including: Ace Mart, Amazon, Caterpillar, Closner Equipment, Kellum Medical, Major Wire, Nexus Enterprises, Food Related, Schertz 35, Boomerang Interest/Lovett Commercial, Schertz Medical Office Building, Health Texas, Sysco, Texas Plumbing Supply and Core 5.

SCHERTZ ECONOMIC DEVELOPMENT CORPORATION**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2022)**

	Budgeted Amounts		2023 Actual Amounts
	Original	Final	
REVENUES			
Taxes	\$ 6,548,000	\$ 6,548,000	\$ 6,548,941
Interest revenues	182,000	182,000	1,262,346
Total revenues	<u>6,730,000</u>	<u>6,730,000</u>	<u>7,811,287</u>
EXPENDITURES			
Current:			
Economic development	9,437,439	9,435,798	264,776
Administration	613,521	615,162	593,805
Total expenditures	<u>10,050,960</u>	<u>10,050,960</u>	<u>858,581</u>
NET CHANGE IN FUND BALANCES	<u>(3,320,960)</u>	<u>(3,320,960)</u>	<u>6,952,706</u>
FUND BALANCE, BEGINNING OF YEAR	<u>26,043,128</u>	<u>26,043,128</u>	<u>26,043,128</u>
FUND BALANCE, END OF YEAR	<u>\$ 22,722,168</u>	<u>\$ 22,722,168</u>	<u>\$ 32,995,834</u>

Variance Positive (Negative)	2022 Actual Amounts
\$ 941	\$ 6,025,703
1,080,346	201,279
1,081,287	6,226,982
9,171,022	1,458,302
21,357	531,783
9,192,379	1,990,085
10,273,666	4,236,897
-	21,806,231
\$ 10,273,666	\$ 26,043,128

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SCHERTZ ECONOMIC DEVELOPMENT CORPORATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2023

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The Corporation maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the Board of Directors.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The Corporation did not exceed the budgeted expenditures during 2023.

DRAFT

SCHERTZ ECONOMIC DEVELOPMENT CORPORATION**COMPARATIVE BALANCE SHEETS****SEPTEMBER 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 29,560,533	\$ 22,721,336
Investments	2,253,041	2,227,105
Accounts receivable - sales tax	1,183,053	1,101,960
Accrued interest receivable	7,949	7,949
Prepaid items	-	990
Total assets	<u>\$ 33,004,576</u>	<u>\$ 26,059,340</u>
LIABILITIES		
Accounts payable	8,742	16,212
Total liabilities	<u>8,742</u>	<u>16,212</u>
FUND BALANCE		
Restricted for economic development	32,995,834	26,043,128
Total fund balance	<u>32,995,834</u>	<u>26,043,128</u>
Total liabilities and fund balance	<u>\$ 33,004,576</u>	<u>\$ 26,059,340</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Schertz Economic Development Corporation
Schertz, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Schertz Economic Development Corporation, a component unit of the City of Schertz, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Schertz Economic Development Corporation's basic financial statements, and have issued our report thereon dated March 19, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Schertz Economic Development Corporation's internal control over financial reporting (internal control) as a basis for determining the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Schertz Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Schertz Economic Development Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque



AICPA
GAQC Member

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schertz Economic Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Waco, Texas
March 19, 2024

DRAFT

SEDC MEMORANDUM

SEDC
Board Meeting: 03/28/2024
Department: Economic Development Corporation
Subject: Resolution 2024-1 - Approval of Amended SEDC Mission Statement and Goals. (S.Wayman/H.Malish/A.Ritchey)

SUBJECT:

Resolution 2024-1 - Approval of Amended SEDC Mission Statement and Goals.
(S.Wayman/H.Malish/A.Ritchey)

Attachments

Res. 2024-1

SEDC RESOLUTION NO. 2024-1

A RESOLUTION BY THE CITY OF SCHERTZ ECONOMIC DEVELOPMENT CORPORATION, TEXAS, APPROVING AMENDED MISSION STATEMENT AND GOALS OF SUCH CORPORATION AND OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, the City of Schertz Economic Development Corporation (“SEDC”) is a non-profit industrial development corporation duly established under the Development Corporation Act of 1979, as amended (Section 501.001 et seq. Texas Local Government Code, formerly Development Corporation Act of 1979) (the “Act”); and

WHEREAS, the Board of Directors of the Corporation and SEDC staff desires to alter the Mission Statement and Goals by which the Corporation shall be governed and the requirements for an action to be taken by the Board; and

WHEREAS, the Board of Directors have reviewed and approved the proposed amendments to the existing Mission Statement and Goals of the Corporation and has determined to authorize and approve such amendments; and

WHEREAS, the Board of Directors hereby finds and determines that the adoption of this Resolution is in the best interests of the citizens of the City.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF SCHERTZ ECONOMIC DEVELOPMENT COPROPARTION THAT:

Section 1. The Board of Directors hereby approves the amended Mission Statement and Goals for the Corporation in the form attached hereto as Exhibit A.

Section 2. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Governing Body.

Section 3. All ordinances and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

Section 4. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

Section 5. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of

such provision to other persons and circumstances shall nevertheless be valid, and the Board hereby declares that this Resolution would have been enacted without such invalid provision.

Section 6. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

Section 7. This Resolution shall be in force and effect from and after its final passage, and it is so ordered.

PASSED AND ADOPTED, this ____ day of _____ 2024.

CITY OF SCHERTZ ECONOMIC
DEVELOPMENT CORPORATION

Sammi Morrill, SEDC Board President

ATTEST:

Henry Hayes, SEDC Board Secretary

EXHIBIT “A”

MISSION STATEMENT AND GOALS

EXHIBIT "A"

City of Schertz Economic Development Corporation Mission Statement

The mission of the City of Schertz Economic Development Corporation is to strategically strengthen the City's economy by attracting and retaining businesses, investing in infrastructure, and promoting and enhancing the quality of life for residents and businesses through innovative measures, creating a sustainable and vibrant community.

Goals

- Optimize the talent pipeline (Education, Workforce and Entrepreneurship/Small Business)
- Expand industry base via targeted industries (Business Attraction, Retention and Expansion)
- Improve quality of life (Main Street, Parks and Recreation, Aesthetics)
- Prioritize real estate assets and development strategies (Land Use, Infrastructure, Roadways, Sidewalks)