

GUN BARREL CITY
Economic Development Corporation
1720 W. Main Street
Gun Barrel City, TX 75156

Tuesday, June 20, 2023
6 p.m.

Gun Barrel City Council Chambers
1716 W. Main Street, Gun Barrel City, TX 75156

MINUTES

Call to Order and Establishment of Quorum:

Present: Keith Bond, Brian Crull, Diane Johannes, Deidra Jones, Roy Key, Kate Weller

Moment of Silence and Pledge led by Diane Johannes

Item #1: Citizens Comments

Ms. Johannes: At this time, we'll have Citizen's Comments. Citizens are limited to three minutes. No action will be taken on what is said unless it is an agenda item there will be no commentary back & forth. Please come to the podium at this time, Mr. Rodney Marshall. State your name and full address for our record please sir, your time starts now.

Mr. Rodney Marshall stated that he is a real estate agent with Fathom Reality. He has a listing on West Main Street of 4.2 acres that backs up to the 1.73 acres that GBC owns. He advised that there was this sizable piece of property. He supplied a plat and business cards. Ms. Johannes thanked him for this information.

Ms. Johannes: We also received a request from Mr. Kerry Kirksmith. Mr. Kirksmith come to the podium. State your name and full address for the record then you'll have three minutes as well. Your time starts now.

Mr. Kirksmith: 332 Overlook in Tamarack subdivision. I had signed in the parking lot a petition to stop the deal with Pier 334 funding project. I just want to state on the record I take that back because now I know more about it it's a good deal and I'm supporting it.

Ms. Johannes: We appreciate your time tonight.

Item #2: Discuss/Take Action to approve the May 9, 2023, EDC minutes.

Motion by Mr. Bond, second by Ms. Weller. There was no discussion. Motion passed unanimously.

Item #3 Discuss Take Action to approve the April 2023 Financials.

Motion by Ms. Weller, second by Mr. Key. No discussion. Motion passed unanimously.

Item #4: Discuss Take Action to approve the May 2023 EDC Financials.

Motion by Ms. Weller, Second by Ms. Jones.

Mr. Bond: I know that Deidra was voted in in May, so I know you didn't get to do these. Robin, are you the one who reconciled the financials?

Ms. Sykora: Yes

Ms. Johannes: Ok, any other discussion?

Mr. Key: I have just one question. Then these were sent to our CPA?

M Sykora: Yes

Ms. Johannes: Hearing no more discussion. Calling for vote.

Motion passed unanimously.

Item #5 Discuss the EDC Loan Program/Financial Assistance: interest rate, client review process and risk assessment.

Ms. Johannes: This is discussion only. We did have in our packet some accomplishments of the Gun Barrel City Economic Development Corporation. Ms. Sykora, if you would like to lead our discussion as our Executive Director, we would greatly appreciate it.

Ms. Sykora: The Loan Program was originally established in 1998 and that following year, they did give one loan and the following year they did a second one, that was to Hardin Survey. The rate has always been set at 2%, It just never has been any different. I haven't found the actual documents forming the program. I can continue to research back to the 1998 establishment of the program. There have been many loans done throughout the years. It seems to be a very popular program. We wanted to discuss do we need to address the interest rate. Is that going to be an issue going forward or setting a limit on the amount of a loan? These are things that have been optional throughout the years in what I have reviewed.

Ms. Weller: I'm actually the one who had the preliminary discussion with Robin about this program. I'll begin by saying that I am not disputing any citizen's right to petition in any way whatsoever. It's actually what spurred me to think about this. When the petition began it was questioning the fact that the EDC had gotten a loan for \$500,000 at 3.7% and was offering an incentive loan of the same amount \$500,000 at 2%. The discussion at that time was whether this was fiscally responsible to borrow money at a higher interest rate than we were loaning it out. To me there are three things that have to be considered with a loan: 1. The amount of the loan, 2. The interest rate to be charged, and 3. To whom the loan is given. For the first, in searching Robin and I could not find where there is a set amount dictated anywhere. We've made loans in many different amounts but the ones I am aware of have been in the 100,000-to-500,000-dollar range. There may have been ones for less early on that I am not aware of.

Ms. Sykora: there was one for as big as \$650,000.

Ms. Weller: Thank you. As to the second point, the percentage of interest charged, all that is referenced in the documentation is that the EDC is to give low-cost loans, it says nothing more than that. I could not find why the current amount we use is 2%. I did some really fast research, and I did a quick look and found out that if you went to a bank yesterday, a small business interest low-cost loan cost between 5.11 and 10.46%. I used Prosperity Bank's loan program because I

know that EDC has accounts with them. So, the question is, do we use a floating amount, for example, we will loan at 50% of whatever the current rate is for a small business if they went to a bank. That's open for discussion. The third point is to whom the loan is made. Perhaps the public does not know that the EDC requires a business plan, two years of business tax returns, and two years of personal tax returns of the owner or owners in our loan application. These documents are all confidential to the EDC and not available for public view. I hope that the citizens will trust that we have done our due diligence and are doing what we believe to be in the best interest of our city. I brought this up because my question going forward is how we decide these issues and then how do we get public feedback on whether the public believes we are making appropriate changes. I don't know the answer to that question. Let me say again, I am all for the citizens' right to petition, but perhaps we can make some changes now that would make our loan process go more smoothly in the future. It's something we ought to discuss.

Ms. Johannes: Ms. Sykora do you know if we've ever had a loan that was taken to petition before?

Ms. Sykora: No this has never happened before.

Ms. Johannes: That was with loans from \$650,000 on down since 1998 or 99 and they were all given at the 2% rate.

Ms. Sykora: Yes, they have always been. The precedent has been set that was something the EDC could do.

Ms. Johannes: Any further discussion from the Board or thoughts?

Mr. Crull: I'd just like to say I think this is all great, but I hate when we have 95% of our energy chasing 5% of the naysayers. You're always going to have those people; you're not going to make everyone happy. You're not going to find a fix and you're not going to find a cure for every situation, and I think if we have learned anything over the last year with this project is that trying to come up with that is really a waste of time. I think you're just going to have to treat each project as its own entity and I think our sheet that we have speaks to our own accolades and what we've been able to accomplish over the years but I think to try to have further discussion to come up with something it's just not productive. I think we should promote this list of accomplishments and that should be our next thing. I think we don't do a good enough job of letting people know some of the good things we do. Everybody hears the bad things.

Ms. Johannes: I don't think we've done any bad things Mr. Crull.

Mr. Crull: We have with some. Well, if we disagree on that, that was some but possibly has to be recognized.

Mr. Key: The IRS and in its infinite wisdom the State has come up with a law to govern non-profit EDCs. That's where we are. There's a law that was established that tells us what we can and what we can't do. I think that these questions are very important, and I think from the standpoint of what we're talking about is a subprime rate or a rate tied to the prime floating rate, I think that's all something we need to talk about in a closed session. However, one thing I'd like to put on the table and on the record is this EDC is governed by state law, state edict that states what we are to do and how we're to do it and we can't operate outside that. We have an attorney that monitors what we're doing so make sure that we fall in line with that statute. I think that's important for everyone to know.

Ms. Johannes: Thank you Mr. Key. I think also to add to the conversation is that part of our role as EDC is to attract businesses and if we can help a business. I'm sure that the city did several things when Walmart and when Lowe's came. When you have a project of those magnitudes even our Pier 334 project getting that project going and being a partner. If I can go to a bank and get the same loan at the same rate I'm probably going to just go to the bank. So, I'm thinking that at 2% I can understand probably. I wasn't on the board in 1999 but probably part of that decision-making process may have been. We're trying to entice businesses and bring them to our city. And if this is something we can do to show our good faith and goodwill to help out I think that it is part of it for me. And looking at the size of the project and how much revenue and how many jobs it's going to create could also be a determining factor in what we're willing to loan someone. These loans are typically ten years at the maximum right Robin.

Ms. Sykora: That's correct.

Mr. Bond: A curiosity question, have we reached out to the other EDCs of cities of our size or smaller and funded the way we're funded to see what their lending practice is, what rate they charge, how do they go about establishing rates. Two percent since 1998 seems like we might need to go up a bit.

Ms. Sykora: I checked on Maybank and Palestine on their forms, but I'd be happy to do some more local research. I'd like even small towns around Dallas and how they do that too.

Mr. Bond: Some of the local cities around the lake.

Ms. Jones: When you've reached out to those other cities what into rates did their sites show?

Ms. Sykora: Honestly, I don't recall. I apologize. I'm happy to research this for you though and get it all back to you for a more informed discussion.

Mr. Key: The only thing that concerns me about trying to compare apples to oranges. We are a city that lives off sales tax. I think there's only three other cities in the state that live off sales tax and they are larger than us. I don't think that we can talk about that apples to apples to the standpoint, but it would give us a line of questioning that we can compare against and for us I don't know that we can meet what they're saying but at least it would give us a bright line that we can look at.

Ms. Sykora: I agree, further discussion.

Ms. Jones: I think one thing we need to look at is if everybody in the area is doing the same thing there's really not an incentive to come here versus the next town. I think keeping it low is our job. It's our purpose to bring businesses here. If we're going to be the same or higher as a neighboring city, then there's really not a whole lot of incentive to not go to the neighboring city. We need those jobs here and we need those businesses here.

Mr. Key: Yes, that's a good point.

Ms. Weller: Especially in view of the fact that Gun Barrel City doesn't have some incentives that other cities have. We can't rebate property taxes for example. We can't give any kind of utility rebate. We're in such a unique position that I brought this up only because I thought we ought to take a look at it to see if we wanted to stay the course or do something different.

Ms. Johannes: Great discussion. Robin let's look at discussing this in Executive Session maybe in the next few weeks or do you have a timeline that you had in your head that you'd like for us to come together again.

Ms. Sykora: I can have this ready for the July meeting.

Ms. Johannes: I was just making sure we gave you some time to do homework and that'll give all of us some time to think and look into it for ourselves and see what we think and then we can bring that information to the conversation in July.

Ms. Sykora: I appreciate the conversation tonight.

Item #6: Discuss bids for accounting services from local CPAs.

Ms. Sykora: I contacted two other local CPAs. I tried to reach four, but it appears two of them are not in business anymore. I spoke with Sherry Rogers, and she gave us a quote of about \$200 a month which is very similar to what we currently have going with Angela. Then I spoke to Sarah Parish, and we had a great conversation. I told her some of the things we are asking for to transfer from QuickBooks to Excel spreadsheets so that's the information is clearer and she said "I'm very familiar with that. I have several churches that request that so that's not a problem." Her quote was \$350 a month. Then I spoke to Angela to ask her. I sent her two of the reports the city uses that are very clear and budget vs actual for each month as you go through. I asked her "Can you provide reports like this and what would be the fee you would charge to do this," She asked to schedule a meeting and we haven't had it yet.

Ms. Johannes: This seems like to me, being on EDC for a while this has been an ongoing conversation trying to get our financials to mimic those of the city so that it's an easy read for both governing bodies.

Ms. Sykora: Yes, this has been requested for as long as I've been here. But I will say when I go look through our financials for years and years ago, they look like this as Angela's always done them. I'm really going to press for a more transparent, more understandable list of what financially happened each month.

Mr. Bond: Who does the city use?

Ms. Sykora: The City uses Mickey. She does them all in-house.

Mr. Key: Madam Director, I understand that it's absolutely necessary that our 990s are prepared by a third-party auditor, by a CPA. But what about our day-to-day activities like writing checks?

Ms. Sykora: We have everything going through the CPA right now. We could try to find a CPA who would just come into our offices maybe once a week for half a day maybe not even that often but just set up QuickBooks on our computer and get those things done. The regular day-to-day stuff is another option and then just have the workforce stuff and tax stuff done through Teresa Cryer's office or whoever we choose.

Ms. Johannes: Do we have a contract end date with our current or it is ongoing?

Ms. Sykora: We do not.

Mr. Key: Can we task you with searching or putting together a committee to search for a service that provides it? In the industry there are services that come, and they provide you training and keep an update Cloud copy of QuickBooks. Several organizations I'm on the Board of, ministry nonprofits do that, and that's how they just once a year turn over to the CPA for 990s and the franchise tax reports.

Ms. Sykora: It's been suggested that we bring the in-house for some time, and I think City Council would be a lot happier with that so that may be the best option.

Mr. Key: That's something we can probably ask about, can't we?

Ms. Sykora: Sarah Parish offers that. It costs more for her to come and work in-house with us but I hadn't considered doing it that way so I can do some more research into that. I know there's services out there that can help you, even Quick Books has a live person who will go through everything with you over the computer.

Mr. Key: Well in the past it's been one person trying to man all of that at one time. Now we've got two in the office, which is a great thing that's happened. That could be something that might be beneficial to us by who was to do that now at this point.

Ms. Sykora: Absolutely let me do a little bit more research on this.

Ms. Johannes: Is that something Robin that you would be able to bring back in July or do you need a little bit more? Maybe August just to give yourself time. That's a short window either July or August

Ms. Sykora: I'm thinking maybe August on the accounting.

Ms. Johannes: That way you can do your due diligence and then if we need to form a committee, I guess we could do that as well.

Ms. Sykora: Thank you. We can discuss that.

Item #7 Update from Director on economic development including Heritage Parkway traffic circle.

Ms. Sykora: I was not able to reach Joe Mundo. I left several messages. I do know that Hardin finished the survey as I printed that off this afternoon. It's a survey of the road easement itself. It's much wider than the road Heritage Parkway when it goes up to the north. We may already own enough property to make the circle. If not, then we're going to have to ask permission for a few feet from the school. Then I'm going to get in touch with the property owner on the other side .

Ms. Johannes: Any questions or discussion on that? I hear none.

Item #8 Executive Session

Ms. Johannes At this time we will adjourn into Executive Session regarding Economic Development negotiations 551.087 and Deliberations about real property.
Let the record show it is 6:25 pm.

Item #9 Reconvene to Open session to Discuss/Take Action on items from Executive Session

Ms. Johannes: Let the record show that the EDC is back in session at 6:43 pm. Having no action items for us to vote on from our Executive Session tonight.

I appreciate the two Council Members that came tonight, April Burns and Cindy Key. We appreciate you guys being here with us tonight.

With nothing further on the agenda, I need a motion to adjourn. Thank you, Mr. Key, we are adjourned.



Kathryn J Weller, Secretary
Gun Barrel City Economic Development Corporation