



**ECONOMIC
DEVELOPMENT
CORPORATION**

MEMORANDUM

To: SEDC Board of Directors

CC: Steve Parker, City Manager
Donna Dodgen, Mayor

From: Josh Schneuker, Director of Economic Development / SEDC Executive Director

Date: March 7, 2023

Subject: SEDC and TSTC Incentives Agreement

About TX FAME Lone Star Chapter Advanced Manufacturing Technician (AMT) Program

Industry, economic development, and workforce development stakeholders have collaborated to create a new Chapter of the Texas Federation for Advanced Manufacturing Education (TX FAME). TX FAME Lone Star, the State's third FAME Chapter, is partnering with Texas State Technical College (TSTC) to provide the critical educational component for the Advanced Manufacturing Technician (AMT) program. The program will be operated out of the Central Texas Technology Center (CTTC) in New Braunfels. Students will take classes at the CTTC two days a week while working with their sponsoring company three days a week, allowing them to "earn while they learn". The TX FAME Lone Star AMT program will develop highly skilled workers who earn an Associate of Applied Science degree in Advanced Manufacturing Technology. After receiving 1,800 hours of hands-on experience, 85% of graduates proceed to direct employment with a sponsoring company and earn wages that are, on average, 38% higher than non-FAME graduates.

The TX FAME Lone Star Chapter was founded by thirteen employers who will actively sponsor students through the program starting in the Fall of 2023. Founding companies include CMC Steel Texas (Seguin, Texas), Caterpillar Inc. (Seguin & Schertz, Texas), Alamo Industrial (Seguin, Texas), AmeriTex Pipe & Product (Seguin, Texas), Cavco Industries (Seguin, Texas), Detex Corporation (New Braunfels, Texas), Minigrip (Seguin, Texas), Niagara Bottling (Seguin, Texas), Rave Gears (Seguin, Texas), Republic Plastics (Seguin, Texas), Texas Tito's (New Braunfels, Texas), and Vitesco Technologies (Seguin, Texas).

These companies have committed to sponsoring up to 30 students that will start their education in the AMT Program in the Fall of 2023. The FAME Lone Star Chapter is on track to be the most successful startup chapter in terms of the number of participating companies and student sponsorship commitments.

TX FAME Lone Star Chapter Equipment Needs

As a startup program at the CTTC with a new training provider to our region in TSTC, the purchase of new equipment is required in order to start up the AMT Program. It is estimated that total equipment costs to support the TX FAME Lone Star Chapter AMT Program range from \$2.2 to \$2.5 million. A detailed list of the equipment needed for the program is attached to this Term Sheet. The TX FAME Lone Star Chapter has launched

a fundraising effort to help secure the capital needed to purchase this equipment. As of November 8, 2022, the following funding commitments have been made to the Chapter:

- CMC Steel Texas has committed \$100,000 in funding to the Lone Star Chapter for the purchase of new equipment for the AMT Program.
- GVEC has committed \$100,000 in funding to the Lone Star Chapter for the purchase of new equipment for the AMT Program.
- The Caterpillar Foundation has committed \$80,000 in funding to the Lone Star Chapter. Funding provided by The Caterpillar Foundation cannot be used towards the purchase of equipment.

In addition to the financial commitments by our industry partners, the Seguin Economic Development (SEDC) is also pursuing a High Demand Job Training (HDJT) Program Grant in the amount of up to \$150,000, with the SEDC committing to leverage funding in the amount of up to \$150,000. Combined, the possible HDJT Program Grant funding and SEDC leverage funding would allocate up to \$300,000 towards the purchase of equipment for the AMT Program. With the SEDC pursuing this grant opportunity, the New Braunfels Economic Development Corporation (NBEDC) has committed to match the SEDC leverage funding (\$150,000) required for the HDJT Program Grant.

Procuring this equipment is a critical step to ensure that the TX FAME Lone Star Chapter can launch successfully in the Fall of 2023. The purchase of this equipment will help fill the skills gap for a large concentration of manufacturers in our region and reach a mass number of students within the 7 counties this chapter will serve.

Summary of Proposed SEDC Financial Incentive and Distribution of Proposed Incentive

To date, the Lone Star Chapter has secured \$200,000 in funding commitments from industry partners and could potentially realize another \$288,734.40 in a grant opportunity being pursued by the SEDC (Texas Workforce Commission (TWC) High Demand Job Training (HDJT) Program Grant. \$288,734.40 represents possible grant award (\$144,367.20) and SEDC leverage funding (\$144,367.20)). In conjunction with the TWC HDJT Grant, the NBEDC has also committed to additional leverage funding in the amount of \$150,000.00. This leaves approximate \$1.66 million in funding that is still needed in order to procure and purchase all of the equipment needed for the AMT Program.

The SEDC and NBEDC are proposing an Incentives Agreement with TSTC for the purchase of equipment for the Lone Star Chapter AMT Program. TSTC will be required to purchase the equipment up front and will be reimbursed by the SEDC and NBEDC as they meet certain performance obligations over the term of the agreement. Total SEDC financial participation for this project will not exceed \$830,940.69. Total NBEDC financial participation for this project will not exceed \$830,940.69. The SEDC and NBEDC Financial Participation for this Project is authorized under Texas Local Government Code Section 501.101 and 501.105.

Subject to TSTC fulfilling their Performance Obligation, the SEDC will release incremental portions of the financial incentive, which total \$830,940.69, to TSTC after the start of each semester for the AMT Program Cohort 1, and in accordance with the following schedule:

- a) **Distribution 1** – A cash grant in the amount of **\$207,735.17** shall be paid to TSTC at the beginning of the Fall 2023 semester, and no later than 30 days following the receipt by the SEDC of the Compliance Reporting Form certifying that TSTC has started Semester 1 for the AMT Program.
- b) **Distribution 2** – A cash grant in the amount of **\$207,735.17** shall be paid to TSTC at the beginning of the Spring 2024 semester, and no later than 30 days following the receipt by the SEDC of the Compliance Reporting Form certifying that TSTC has started Semester 2 for the AMT Program.

- c) **Distribution 3** – A cash grant in the amount of **\$166,188.14** shall be paid to TSTC at the beginning of the Fall 2024 semester, and no later than 30 days following the receipt by the SEDC of the Compliance Reporting Form certifying that TSTC has started Semester 3 for the AMT Program.
- d) **Distribution 4** – A cash grant in the amount of **\$166,188.14** shall be paid to TSTC at the beginning of the Spring 2025 semester, and no later than 30 days following the receipt by the SEDC of the Compliance Reporting Form certifying that TSTC has started Semester 4 for the AMT Program.
- e) **Distribution 5** – A cash grant in the amount of **\$83,094.07** shall be paid to TSTC at the beginning of the Fall 2025 semester no later than 30 days, and upon the receipt by the SEDC of the Compliance Reporting Form certifying that TSTC has started Semester 5 for the AMT Program.

TSTC Performance Obligations

TSTC will commit to the following Performance Obligations over the term of the agreement:

1. TSTC shall (a) provide all equipment under the Off—Campus Workforce Education Agreement entered into with TX FAME Lone Star Chapter and (b) provide to the SEDC proof of purchase of equipment and installation costs under the Off—Campus Workforce Education Agreement;
2. TSTC shall provide training and workforce education pursuant to the Off-Campus Workforce Education Agreement;
3. TSTC shall comply with Federal, State, and Local laws, rules and guidelines;
4. TSTC shall submit the Compliance Reporting Form, along with receipts and other documentation which may be required by the SEDC to confirm the purchase of equipment referenced in this Agreement; and
5. Any funds not encumbered or used for this project shall be returned to the SEDC.

Staff and SEDC Board Recommendation

Staff and the SEDC Board of Directors recommend approval of the Resolution authorizing an Incentives Agreement between the Seguin Economic Development Corporation and Texas State Technical College. The SEDC Board approved the item at their meeting on March 2, 2023.