



City of San Antonio

Agenda Memorandum

File Number:18-4333

Agenda Item Number: 12.

Agenda Date: 9/6/2018

In Control: City Council A Session

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICTS IMPACTED: 8

SUBJECT:

City Council consideration of a Ch.380 Economic Development Incentive Fund (EDIF) Grant Agreement with Ernst & Young U.S. LLP (EY).

SUMMARY:

Staff is requesting City Council consideration and action on an Ordinance authorizing a performance-based Chapter 380 Economic Development Incentive Fund (EDIF) Grant Agreement with Ernst and Young U.S. LLP (EY) for up to a maximum of \$300,000 based on the creation of 300 new, full-time jobs within five years, making \$50,000 or more annually.

BACKGROUND INFORMATION:

Founded in 1889 following the merger of Ernst & Whitney and Arthur Young & Co., EY is a multinational professional services firm and one of the “Big Four” accounting firms. The company is headquartered in London, UK with a lead US office in New York City and other offices across the United States, the Middle East, Australia, Europe, and Asia. The company’s US operations include over 3,200 partners and principals, and the company provides assurance, tax, auditing, advisory, enterprise risk management, entrepreneurial, and technology and security risk services to public and private companies.

EY currently has a San Antonio presence of 265 employees at its downtown Frost Bank Tower offices, and is ramping up its local presence as part of a new Service Delivery Center operation at the Farinon Business Park. To secure the Service Delivery Center operation in San Antonio, in 2017, City Council approved a tax abatement and an EDIF Grant for the project, and designated the site as a Texas Enterprise Zone Project.

Earlier this year, EY approached the City regarding the potential location of a consolidated operation of the company's Government and Public Sector (GPS) Assurance Practice, which provides government client services and assists federal agencies with modernization and institutional reform goals by addressing efficiency, effectiveness, and cost. As part of this project, EY would further expand its presence in San Antonio with the addition of its GPS practice, which include an additional capital investment of \$5 million in real and personal property at Farinon Business Park, 12707 Silicon Drive, (City Council District 8), and the creation of 300 new full-time jobs over five years making at least \$50,000 annually, in addition to its current workforce and the jobs required as part of the project approved by City Council in 2017.

The primary office for EY's GPS Assurance Practice is located outside of McLean, VA, and San Antonio competed with Columbus, OH, for this new project. EY's GPS Assurance Practice has active contracts with all branches of the US military and a variety of government agencies, providing audit and advisory services. This includes work for the Navy, the Air Force, the Defense Logistics Agency, and support for the Army in improving its financial systems, financial management processes, and more. Employees in EY's new GPS office in San Antonio would perform work in the areas of data and analytics, technology automation, financial management, risk assurance, audit services, technical and business program management, and more.

The project falls in line with several of the key long-term economic goals laid out in the City's *SA Tomorrow Comprehensive Plan*, as well as those presented in *Forefront SA*, the community's economic development strategic plan led by the San Antonio Economic Development Foundation (SAEDF). Such goals include the creation of high-wage, high-skill jobs, and support for the continued growth of the City's targeted industries. Additionally, the project presents an opportunity to expand the presence of an innovative, rapidly growing, and globally recognized financial services company in San Antonio with well-paying jobs.

ISSUE:

In order to secure this project, City staff offered EY a performance-based Ch.380 EDIF Grant of up to \$300,000 (\$1,000 / qualifying job). To qualify for the recommended incentives, EY must create 300 new full-time jobs making at least \$50,000 annually at the identified site. Additionally, 100% of EY's employees at the project location must be paid no less than \$16.29 per hour and be provided access to healthcare benefits. The City will also offer the assignment of a single Point of Contact within the Development Services Department to assist with permitting and development needs.

As part of the City's economic development agreement and in alignment with a shared focus on workforce development, EY has agreed to continue to utilize its established internship program in association with local colleges and universities to provide internship opportunities to residents.

Chapter 380 of the Local Government Code authorizes the City to provide economic development grants for the purposes of promoting economic development, provided that the City has established a program for such purposes. City Council approved a program promoting economic development in April 2005. The recommended incentive complies with EDIF Guidelines for per job grant amounts for targeted industry high wage jobs outside the ICRIP.

ALTERNATIVES:

Based on the City's competitive offer and local support for this project and past projects, EY has decided to proceed with the expansion of its operations to San Antonio, creating a total of 300 new full-time jobs over five

years, making at least \$50,000 annually. City Council could choose not to approve the Ordinance authorizing the incentive agreements, which may adversely impact EY's decision to grow its operations in San Antonio.

FISCAL IMPACT:

This ordinance authorizes a performance-based Chapter 380 EDIF Grant Agreement with EY in the amount of \$300,000. Funds for this Grant Agreement are available from the FY 2018 Adopted Budget for EDIF.

RECOMMENDATION:

Staff recommends approval of an Ordinance authorizing the City to enter into a Chapter 380 EDIF Grant Agreement with EY. As part of the agreement, the City will provide a grant of up to \$300,000, provided that EY establishes its new Government and Public Sector (GPS) Assurance Practice operation and create up to 300 new, full-time jobs in San Antonio paying a minimum salary of \$50,000 annually. Tower offices, and is ramping up its local presence as part of a new Service Delivery Center operation at the Farinon Business Park. In 2017, to secure the Service Delivery Center operation in San Antonio, City Council approved a tax abatement and an EDIF Grant for the project, and designated the site as a Texas Enterprise Zone Project.

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ISSUE:

In order to secure this project, City staff recommends a performance-based Ch.380 EDIF Grant of up to

\$300,000 (\$1,000 / qualifying job). To qualify for the recommended incentives, EY must create 300 new full-time jobs making at least \$50,000 annually at the identified site. Additionally, 100% of EY's employees at the project location must be paid no less than \$16.29 per hour and be provided access to healthcare benefits. The City will also offer the assignment of a single Point of Contact within the Development Services Department to assist with permitting and development needs.

As part of the City's economic development agreement, and in alignment with a shared focus on workforce development, EY has agreed to sponsor student interns through the company's established internship program and in association with community partners and local universities.

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