



WATERTOWN
DEVELOPMENT COMPANY

2025 ANNUAL REPORT

A PRESENTATION OF INFORMATION ON OUR
2024-2025 COMMUNITY INVESTMENTS
AND COLLABORATIVE INITIATIVES

WATERTOWN, SOUTH DAKOTA • FREEDOM WORKS HERE





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This annual report presents information on our 2024-2025 community investments and collaborative initiatives, and shares stories and profiles of project partners who embody this work. We hope these stories convey the impact the WDC has on the community through our business development efforts, housing, and technical assistance.

A MESSAGE

FROM YOUR EXECUTIVE DIRECTOR AND WDC LEADERSHIP

Board of Directors,

On behalf of the Board of Directors and staff, it is my pleasure to present to you our investors the 2024/25 summary report of tactical implementation of our Mission.

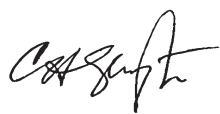
Organizations don't fall short of the mark due to bad ideas, most fail in implementing of the vision/mission objectives.

WDC is proud of the direct, indirect action items presented. Many hours collaborating with our partners in the regional mission of growing our communities is displayed in this annual report. We want to thank the team for the dedication to growth. If we fail to plan, our communities wither.

Eastern South Dakota has a bright and vibrant future if we continue to invest in the long-term assets that facilitate business transactions in our marketplace.

Guided by our vision, mission, and target business sectors, WDC actively assists in the health, education, and capital expansion of our business community.

Thank you for trusting WDC with the objective mission of growth.



Chris Clifton, MPA, IOM, CED
Executive Director



WDC Investors,

Serving on the Board of the Watertown Development Company is more than a position—it's a profound opportunity to help shape the future of our community. As a board member, I've had the privilege of witnessing firsthand how strategic collaboration and thoughtful investment can transform local industries, strengthen our workforce, and elevate the quality of life for residents across Watertown.

Our mission is rooted in fostering sustainable economic growth. Through our initiatives, we support local businesses, attract new investment, and create pathways for innovation and resilience. Each decision we make is guided by a commitment to long-term impact—ensuring that the opportunities we create today will benefit generations to come.

Being part of this organization means engaging with stakeholders who share a vision for a thriving Watertown. It means advocating for smart development, championing workforce excellence, and ensuring that our community remains competitive in a rapidly evolving economic landscape.

To our valued investors: your continued support empowers us to pursue bold ideas and deliver measurable results. Together, we are building a stronger, more dynamic Watertown—one that reflects the values of hard work, ingenuity, and shared prosperity.

Thank you for being part of this journey.



Mark Dunn
Secretary/Treasurer





FY2025

EVENTS

- Annual South Dakota Governor's Office of Economic Development Conference
- Annual SD Governor's Pheasant Hunt
- Black Hills State University Fuel the Growth Seminar
- Dakota Resources Learning Network Community Engagement Gathering
- Dakota Resources Housing Gathering
- Dakota Resources New ED Pro Session Grant Writing
- Economic Development Professionals Association Summit
- EDPA Capital Campaign Training
- GOED Bankers Finance Summit
- H2O 2050 Community Kickoff
- IEDC Real Estate Development and Reuse
- IEDC Credit Analysis
- IEDC Business Retention & Expansion
- Labor Roundtable with Dusty Johnson
- Lake Area Technical Colleges Annual Governor's Luncheon
- Lake Area Technical Colleges Festival of Trees
- Mother of God Monastery Visioning Event
- My Town Watertown Series
- Our Little Village Learning Center Ribbon Cutting
- Prairie Lakes Healthcare Foundation BASH
- South Dakota Governor's Office of Economic Development Meet the State
- SD Housing Annual Conference
- South Forty Specialties Ground Breaking
- Splash into Summer
- Watertown Candidate Forum
- Watertown Day at the Legislature



Dear Board of Directors and Investors,

First of all, I wish to thank the Watertown Development Company for their partnership with VRS P.C. and entrusting us to assist them with their accounting and payroll needs. I have seen many improvements over the last year and am looking forward to continuing to work with the Board and Management for years to come.

2024-2025 was another big year for the WDC and a lot has been accomplished in that time, which will hopefully continue to lead them into a successful future.

From a financial standpoint, some of the major highlights that have been achieved over the past year include:

- Undergoing the 2nd annual audit with Ketel Thorstenson. A successful audit, indicating strong compliance, speaks highly of the Board's and Management's focus on financial stability.
- Successfully divesting some real estate ownership to reduce the administrative burden of property management. This continues to be a goal moving forward.
- Reduced long term debt by more than 20% through sale of real estate.
- Continuing the fundraising campaign and adding additional investors to Watertown 2.0 to assist with the continuance of development in the Watertown community.
- Implementing additional checks and balances among staff to assist with processes and procedures recommended by the auditors, including processes related to cash receipts and cash disbursements.

VRS P.C. is proud to work with the Watertown Development Company and is excited to see what the future holds.

VRS P.C.

Certified Public Accountants & Consultants

Sherry Kleinsasser

Sherry Kleinsasser, CPA

Principal, CEO



BUSINESS RETENTION AND EXPANSION

SOUTH FORTY SPECIALTIES



South Forty Specialties is a multi-phase start-up, targeting growth in the \$538 billion home improvement market. The business will manufacture and distribute products aligned with popular lifestyle trends — such as home gyms, barndominiums, outdoor furniture, children’s furnishings, and smart product solutions.

Backed by the Watertown Development Company, South Forty is projected to create 45–100 jobs over the next several years through organic growth, acquisitions, and vertical integration. Plans include in-house production capabilities, automation, and a retail/e-commerce platform. A new franchise model, The Den, will also support long-term brand expansion.



The total investment across all three phases exceeds \$18 million. Phase 1 comprises a 33,000 sq ft facility for office, print, retail, and assembly, with an estimated cost of \$3.7 million and \$750,000 allocated for advanced equipment. This phase is expected to generate 25–50 jobs. Phases II and III will each add 60,000 sq ft of specialized manufacturing space, supported by over \$9 million in additional capital and 20–50 more employees.

The land acquisition is complete, and construction is currently underway. Lot A (6.8 acres) supports the initial construction, while Lot B (10.1 acres) is being evaluated for future phases, including potential infrastructure improvements such as waterway relocation.

South Forty Specialties will enhance Watertown’s industrial landscape and drive long-term growth in one of the nation’s fastest-growing consumer sectors.

BUSINESS RETENTION & EXPANSION INITIATIVES

DAKOTA AUTOMATION EXPANSION



With groundbreaking next month and a recent celebration of 25 years of business success, the people who make up Dakota Automation are busy but excited about the company's future.

"What we do is a bit of secret to a lot of people," said Jason Handke, president of Dakota Automation. Handke is also co-owner of the business that started serving customers in 1999. "In short, we build equipment for other manufacturers. Our bread-and-butter is helping businesses that make building products."

Thousands of doors, windows and light industry products around North America began as ideas that started in Watertown. Handke and his team of about 40 can help any startup put the machines in place they need to create their own products.

"Our success is rooted in communication," said Jake Velde, Dakota Automation's manager of sales and application. "Everyone on our team is part of that process, helping customers get the equipment they need."

With clients across the continent, Velde said being nimble, open to customer input and having deep experience makes a significant difference.

"We start with some customers who have schematics, spreadsheets and a vision," he said. "Others might have great ideas on a napkin or the back of an envelope. Whatever method is best for them, it's best for us, or something we've seen before."

The company has a team of assemblers, fabricators and welders in the shop, and they work in lockstep with the engineering and support side of the house. The team will soon have more room to map out those leading-edge designs and equipment as they begin physical expansion in September. It'll create 50% more assembly space.

"Having more project real estate inside the shop will let us be more efficient," Handke said. "We're excited about helping American manufacturers stay in business and find ways to grow on their end. We're growing with them."

With the physical growth, Handke said Dakota Automation plans to grow its team, too. The existing crew includes a tech-savvy squad who range from recent tech-school graduates to seasoned manufacturing experts. The company recently recognized a pair of employees who celebrated their 25th anniversary with the company.

"Our people really are our special sauce," Velde said. "Their self-direction and make-it-right expertise comes through in our work. They let us keep our focus on the customer."

Dakota Automation can make anything that a new factory/startup manufacturer needs, from assembly lines and packaging gear to robotic integration. If a company wants to manufacture something no one else does, you can call Dakota Automation and they may be able to set the business with a solution.

"The only other businesses of this sort nearby are in the Twin Cities," Handke said. "It can be a risky and challenging line of work, and the fact we have a top-notch team is why we've continued for two and a half decades."

Velde said he's had experience working with Fortune 100 companies, and he sees the talent on his current team as surpassing any he's seen.

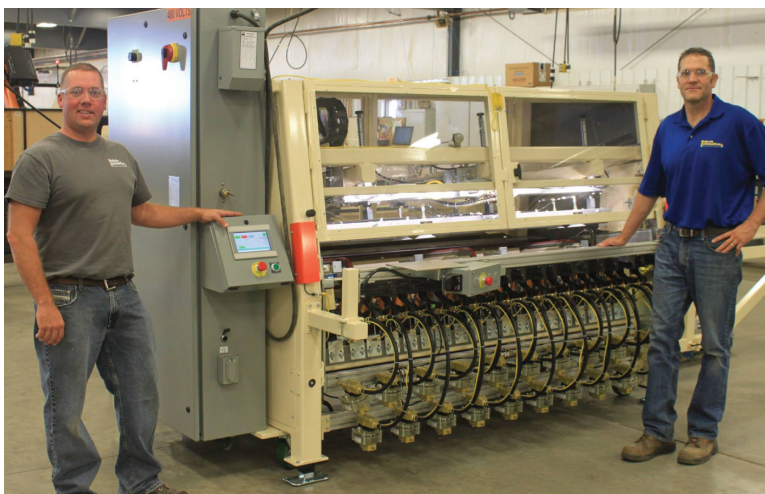
"We feel like we have the best, and our customers' growth, is a good indicator of how we help solve challenges," he said. "Our customers say they appreciate how we adapt to their style. We make it easier because aim to stay flexible."

A \$1.35 million REDI loan and a \$706,066 SD Works loan have been approved to support the expansion plans of Dakota Automation Inc., in Watertown. The REDI loan will be used for the purchase of BVH LLC by DAP LLC. The SD Works loan financing will support an immediate facility expansion to accommodate additional lines of equipment and the company's plans for future growth.

With DA's expansion, they will likely hire about 7 new employees over the next 5 years. The addition would add 17,500 sq feet of manufacturing space and around 1,300 sq feet of office, and remodeling of the current office space. The new shop space is primarily an assembly room, there will not be much added for new equipment, although some new machine tools may be added if they can find machinists to run them.



"It can be a risky and challenging line of work, and the fact we have a top-notch team is why we've continued for two and a half decades."



BUSINESS RETENTION AND EXPANSION

COYOTE BUSINESS CONSULTING (CBC) PROJECT GRANT



Background:

The University of South Dakota Beacom School of Business launched a student-centered initiative, Coyote Business Consulting (CBC) in 2020. This program was designed to help businesses survive and stay competitive in the state of South Dakota and throughout the region.

CBC was available to all businesses, but had a special emphasis on small businesses, as they are the backbone of South Dakota's economy, comprising nearly 60% of South Dakota's workforce. The launch of CBC gradually allowed the realization of the gap between higher education and the business industry, both small and corporate businesses. The consulting service will be offered at no charge to small rural businesses and students will have the opportunity to receive financial support but more importantly real-world experience.



The efforts that come from Coyote Business Consulting is to connect USD Beacom School of Business resources to South Dakota by providing student consulting services. Our affordable and sought-after program offers the opportunity for growth, innovation, and invaluable connections for our students, faculty mentors, businesses and non-profits, and communities.

This 10–12-week, project-based initiative is a great opportunity for students to work with businesses to address some of their challenges to survive and grow.

Project Details:

The Watertown Development Company (WDC) has submitted an application for the Community-Based Collaborative (CBC) project grant to support the implementation of a comprehensive Business Health Survey. This initiative is designed to assess the overall vitality of local businesses by evaluating key operational, financial, and strategic indicators—similar to how a medical check-up evaluates personal health.

The survey will examine critical areas such as revenue trends, cash flow stability, operational efficiency, workforce dynamics, and market positioning. Its purpose is to identify both strengths

and areas for improvement, offering actionable insights to guide business development and long-term growth.

By capturing a holistic snapshot of the Watertown business ecosystem, the survey will help WDC better understand the opportunities and challenges facing local enterprises. Importantly, the survey includes an opt-in feature that allows businesses to request follow-up support from WDC—particularly valuable for those experiencing difficulties or seeking expansion opportunities.

This data-driven approach will enable WDC to proactively support retention, resilience, and strategic planning across the community’s business landscape.

Timeline:





BUSINESS ATTRACTION

TARGET INDUSTRY & DIVERSIFICATION ANALYSIS

In August of 2025, Wadley Donovan Gutshaw Consulting (WDGC) completed a Target Industry Analysis for Watertown SD. Each profile is composed of different factors including sector definitions and job families, Watertown occupational scale and concentration, location criteria, Watertown’s competitive position, industry sector profile, and Watertown opportunities and messaging.

1. AGRICULTURAL (SEED) TESTING

Watertown is well-positioned near Brookings, a major seed research hub, making it ideal for seed testing labs, commercialization, and support services. While lab space is limited, the local workforce and proximity to South Dakota State University offer strong potential. Opportunities include small-scale operations (<100 employees), with support from Lake Area Technical College. Key industry players include SGS and SoDak Labs. The seed testing market is projected to grow steadily.

Key Siting Factors	Considerations
Talent	• Scalable to max 50-100 headcount • Occupational mix: Agricultural testing job family focused on seed scientists, technicians and supporting occupations • Associate to Bachelors Degrees • Industry intersections with office functions, project management, logistics, marketing-sales and other aspects of seed test industry • Proximate to 2-year and 4-year colleges focused on agricultural science
Costs	• Salary costs lower than national / regional averages • Facility / lab space development costs • Utility costs
Facility Factors	• Laboratory space • Office space • Generally under 25,000 sf requirement • Moderate utility requirements specific to testing regimes
Other	• Industry cluster proximity • Air access to parent companies / partners • Incentive opportunities Corporate taxation • Entrepreneurial environment

2. VALVES, CONTROLS, PIPE FITTINGS

This sector aligns with Watertown’s skilled precision workforce and training infrastructure. The area shows strong employment concentration (LQ=1.54) in relevant occupations. Opportunities include customized job shops and small-scale manufacturing. While freight centrality is a challenge, moderate costs and available development-ready sites are advantages. The industry is expanding due to infrastructure upgrades and industrial demand. Major companies include Emerson and Flowserve.

Key Siting Factors	Considerations
Labor	• Low to moderate scale / could be customized job shops • Machining and injection molding skills • Mechanical-drafting skills • Electrical equipment skills • Technical college resources • Precision skills
Site and Facility Factors	• Development ready sites • Spec buildings • Moderate utility costs / primarily electric power, gas, some water; not a major wastewater discharge
Costs	• Moderate to lower labor costs • Moderate to lower utility costs • Moderate to lower site / construction costs
Other	• Interstate highway access and trucking infrastructure • Shipment sizes not particularly freight sensitive

3. SMALL / MODULAR DATA CENTERS

Watertown offers competitive advantages for small and modular data centers due to available sites, 1MW power capacity, and its location on the I-29 fiber corridor. These centers require minimal labor and offer tax and utility revenue benefits. Modular centers are scalable and factory-built, with potential for Edge computing applications. Key players include Dell, HPE, and Vertiv. Employment impact is low, but infrastructure and strategic location support growth.

Key Siting Factors	Considerations
Site and Facility Factors	• Development ready sites • Electric power availability • Robust power redundancy • Construction resources
Costs	• Low power costs • Low construction costs
Other	• Attractive tax structure and incentives geared to data centers • Low natural hazard risks / cool climate preferred
Labor	• Not employment intense • Regional construction labor / electrical technicians • Computer facility operations occupations

4. BACK OFFICE FUNCTIONS

Watertown has a strong base of customer service and administrative talent, supported by local HQs and educational institutions. Promising segments include healthcare payments, engineering/design services, and inside sales. The labor market is cost-effective compared to larger metros, and available office space supports expansion. While remote work trends pose challenges, Watertown’s quality of life and talent pool offer advantages for niche office operations.

Key Siting Factors	Considerations
Labor	• Customer service and support workforce scale • Underemployed workforce • Ancillary experience in the specific industry • Engineering and technical talent Training / development resources (2 and 4-year college resources) • Talent attraction to the area (housing / QOL)
Costs	• Moderate to lower labor costs • Typically, 70-90% of office function operating cost • Office lease rate
Site and Facility Factors	• Office space availability locally • Fiber-optic / telecommunications • Configuration / layout / efficiency of space • Consideration of in office/ work-at-home ratio
Other	• Connectivity with local industry / supporting functions • Air service (dependent on nature of interaction with corporate offices / customers / others)

5. ENTREPRENEURSHIP / STAGE ONE BUSINESSES / START-UPS

Watertown presents a compelling case for early-stage business relocation from high-cost metros like Minneapolis/St. Paul. Benefits include a pro-business climate, significantly lower operating and living costs, no corporate or personal income tax, and strong support from the Watertown Development Company. Entrepreneurs gain access to venture capital, office space, and a skilled talent pool supported by institutions like Lake Area Technical College and South Dakota State University. Quality-of-life amenities, strategic location, and dedicated support make Watertown an attractive launchpad for startups.

Target Industry 5 Entrepreneurship-Stage One Business Rationale provides a comprehensive analysis of why relocating Stage One (early stage) businesses from Minneapolis/St. Paul, MN to Watertown, SD is advantageous.

The study, conducted by Wadley Donovan Gutshaw Consulting (WDGC) for the Watertown Development Company, highlights several key points:

Geographic/Economic Orientation: Watertown is located in east-central South Dakota, near the Minnesota border, with a population of roughly 23,200. It has a vibrant economy with key sectors including agriculture, manufacturing, healthcare, and retail trade 1.

Business Climate: Watertown offers a pro-business climate with favorable regulations, labor laws, licensing, permitting, and taxation. The costs of doing business and living are significantly lower (20% or more) compared to Minneapolis/St. Paul 1.

Support for Entrepreneurs: Watertown provides resources dedicated to helping entrepreneurs start and grow businesses, including a well-educated and growing population, higher education resources, and state-of-the-art digital infrastructure 1.

South Dakota State Rankings: South Dakota is highly rated for its business climate, with favorable rankings in business climate, tax burden, and as a state to start a business 1.

Business Costs: Operating costs in Watertown are favorable, with lower costs for talent, office space, and utilities. The absence of corporate and personal income tax in South Dakota is a significant advantage 1.

Talent Pool Availability: Watertown's labor market can support new companies requiring up to 250 employees over a two-year horizon. The commute shed for hourly workers is 30 to 45 minutes, and professional talent can commute up to an hour 1.

Resources for Business Formation: South Dakota offers a range of organizations dedicated to supporting entrepreneurs and business start-ups, including venture capital firms, economic development organizations, and business development centers 1.

College/University Resources: Entrepreneurs can access several colleges and universities to support business development, including Lake Area Technical College in Watertown and South Dakota State University in Brookings 1.

Quality-of-Life: Watertown offers an attractive living environment with a wide range of outdoor activities, a vibrant arts/culture scene, top-flight healthcare, low crime rates, and affordable housing 1.

Conclusion: Relocating to Watertown offers significant advantages for Stage One businesses, including lower costs, a favorable business climate, state and local resources, an attractive quality-of-life, and an educated talent pool 1.

PROPOSED ACTION STEPS:

1. Consider reducing land costs for selected industrial projects.
2. Ensure that sites are listed on national databases.
3. Participate in the Site Selectors Guild REDI Sites Program.
4. Develop a virtual shell building.
5. Increase well water capacity.
6. Expand wastewater treatment capacity to open up food processing opportunities.
7. Foster greater cooperation and alignment between Watertown Municipal Utilities and the City's Public Works Wastewater Division.
8. Explore bringing additional electric power capacity to selected sites.
9. Adopt proactive measures to bring more affordable housing to market.
10. Continue efforts to increase child care capacity.
11. Support the monastery's plan for a business accelerator.
12. Form the previously recommended Area Workforce Coalition.
13. Promote the area and the target industries on social media.
14. Establish a kiosk at the Watertown Airport; joint venture with City & CVB.
15. Plan a more formal outreach effort to national site selectors, such as a quarterly newsletter.
16. The full report can be found at wdcsd.com under workforce> workforce> WDGC Target Analysis Report 2025.





COMMUNITY DEVELOPMENT

TARGET INDUSTRY & DIVERSIFICATION ANALYSIS

HOUSING INTERVIEW SYNOPSIS: TAKEAWAYS:

1	Housing availability and costs are generally viewed as the most pressing current issues in Watertown, impacting the workforce, talent attraction, and quality of life for local residents
2	AFFORDABLE (subsidized) vs WORKFORCE (market-driven) Housing is an important distinction
3	Land is available for new residential development and infill development, but limited by costs to purchase property, extend infrastructure and construct housing, as well as land use priorities
4	Developers and builders are willing partners however are constrained by several factors including: small market scale, limited and sometimes confusing financing options and regulation. All of these raise the cost of construction beyond the limit of what a local builder can realize a reasonable profit given the risks of speculative construction
5	Local housing demand has been augmented by domestic in-migration (peak during COVID), a strong manufacturing base with continued investment, and tight rental / purchase markets for the limited existing housing stock
6	Supply is further constrained by infrastructure (water-sewer) limitations, flood plain boundaries and by limited interest in the small Watertown market by regional and national developers
7	There are on-going efforts to rezone for higher density, where appropriate limited by utility extensions, flood plain boundaries and competing land uses
8	Escalating costs from a combination of supply-demand dynamics and national cost inflation of construction materials raise the bar of housing affordability across the income spectrum
9	Regulation and taxation further increases the cost of construction
10	Several funding mechanisms provide a framework, some better known than others (such as USDA sources) however funding / grant coordination across the government-private sectors is not apparent
11	Engaged members of the community have constructive ideas in support of housing solutions that merit further exploration and business case review
12	Despite the challenges, there are local success stories spearheaded by individuals and organizations committed to finding long-term housing solutions for the Watertown community



SUMMARY: BASED ON INTERVIEWS, ANALYSIS, AND FIELD OBSERVATIONS

Emanating from WDGC's field and virtual interviews, and our further brainstorming, this is an initial list of ideas/concepts to be further explored and prioritized in Task Two.

1	Establish a Housing Task Force as an early priority; have frank/objective discussions and implementable actions on housing-related issues.
2	Prioritize Infill options within the city.
3	Allow for higher-density residential.
4	Strongly consider the city and municipal utilities providing infrastructure assistance for new housing development.
5	Consider allocating a portion of WDC-owned land for housing.
6	Encourage more "row" or zero lot housing: • Homeowner owns footprint • Homeowners Association is responsible for upkeep/maintenance
7	Explore the possibility of upgrading trailer parks' appearances.
8	Encourage greater utilization of manufactured housing.
9	Investigate the possibility of creating a coalition of local builders to pool resources for establishing more affordable housing (both single-family homes and rentals).
10	Working with Lake Area Tech, select builders to accelerate the creation of student housing.
11	Reach out to Costello relative to creating more affordable housing in Watertown.
12	Seek the latest affordable housing playbook: • SD Housing Authority has one, but prepared in 2008 • Dakota Resources has published a dilapidated rural housing toolkit
13	Identify a funding/grant researcher/coordinator/writer to optimize the use of funding mechanisms.
14	Strengthen ties with the SD Housing Authority.
15	Establish stronger relations with the USDA (start with the Huron office).
16	Vigorously support the repeal of the state excise tax (2%) on housing.
17	Explore the elimination of state sales tax (4.2%) on residential construction materials.
18	Pursue the concept of creating housing within one mile of several smaller communities (e.g., Florence, Kranzburg, Henry, South Shore, Waverly): • Watertown provides infrastructure • Watertown collects sales taxes • Locals collect property tax
19	Incorporate lessons learned from best practices examples (will be explored by WDGC).
20	The Task Force should identify one or a couple of state regulations that place an undue burden on construction costs and seek to modify them accordingly.
21	Determine infrastructure, financial, and regulatory actions required to lower the cost of residential construction to: • \$150 SF • \$175 SF • \$200 SF • \$225 SF
22	Explore adding more Governor's Housing to the mix (transitional housing).
23	As renters are disproportionately burdened in Watertown (relative to income devoted to housing) make a concerted, accelerated extensive effort to remedy this unfavorable dynamic.

Key stakeholders need to align on priorities, coordinate efforts and information sharing, and to establish a Housing Task Force with a clearly defined charter, mission, and KPIs

HOME PROGRAM

In November 2020, the HOME program was enacted with an overall funding level of \$180,000. In addition to focusing on attractive and the enhancement of workforce, this program targeted relocating worker becoming full-time Watertown residents.

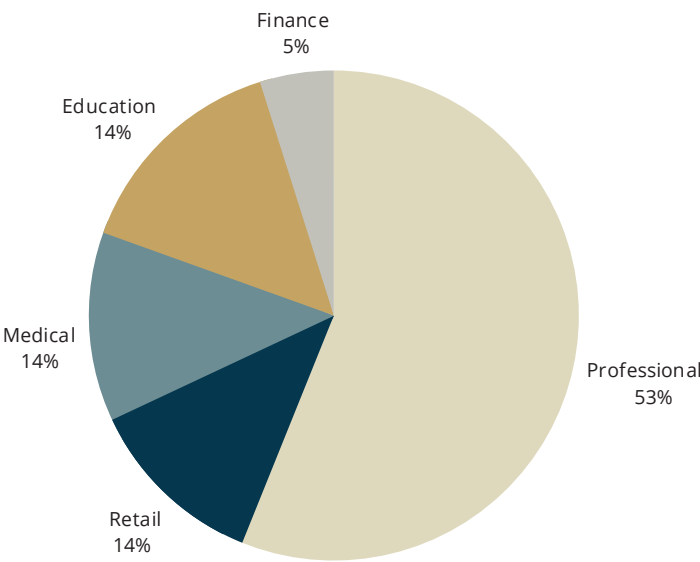
Qualified home buyers are provided a loan of up to 3% or \$6,000 to help cover their down payment and closing costs. To date, a total of **\$178,578** has been disbursed, adding an additional **49 recipients** to Watertown’s workforce.

Some of the employers that have benefited from the HOME program include:

- East River Contracting
- Glacial Lakes Rubber & Plastic
- Watertown School District
- Prairie Lakes Healthcare
- Hi Line Capital
- Grassland Granite
- Human Service Agency

This program has been marketed independently and alongside our Attract & Enhance program. A full page ad can be found in the latest edition of the Watertown Now magazine.

POSITIONS FILLED THROUGH THE HOME PROGRAM



URBAN RENEWAL FUND — PROGRAM DEPLETED

Since the WDC took over the administration of the Urban Renewal Fund, there have been a total of 8 approved applicants and a total of nearly \$146,000 in loan funds disbursed. These funds have been used for façade improvements, foundation repairs, and buildouts for new businesses in downtown Watertown.

EARLY CHILDHOOD EDUCATION

KVG Consulting was hired by the Watertown Development Corporation to research and identify up to three investment strategies to support the city's child care affordability needs. Three potential investment opportunities have been identified for the city of Watertown to choose from. These recommendations are based on effective solutions that states and other communities, both in South Dakota and elsewhere, have found to work well in meeting families' needs. Every community is different, and it is worth noting that there are pros and cons for Watertown to consider for each strategy. Below is the overview and recommendations, which include a description of implementation options, funding requirements, long-term growth prospects, and the return on investment for each program.

Model	Structure	Watertown Plan	Pros	Cons	Financials
Tri-Share Model	Costs split between employers, employees, and a local investment fund.	• Create investment hub & community fund • Pilot with 10–15 families & 3–5 employers • Adjust eligibility to local income realities	• Local control & flexibility • Employer retention tool • High visibility, quick impact	• Requires local fundraising (no state funding) • Admin burden on small hub • Limited child care supply may restrict access	• Cost: \$1.6–\$1.9M over 20 yrs • Serves 137 children • Avg. family savings: \$18,592 over 3 yrs
Scholarship Program	Direct financial assistance to families, typically covering 50% of child care costs.	• Establish local scholarship fund • Use trusted administrators (e.g., United Way) • Target families earning 200–325% FPL	• Simple messaging & flexible • Reaches families ineligible for subsidies • Community-owned & governed	• Requires ongoing fundraising • Limited provider participation • Administrative complexity	• Cost: ~\$4M over 20 yrs • Serves 157 children • Avg. family savings: \$18,592 over 3 yrs
Workforce Support Fund	Covers child care costs for child care workers to aid recruitment & retention.	• Funded by employers & philanthropy • Managed by community hub • Target workers earning <300% FPL	• Direct workforce incentive • Strengthens infrastructure • Scalable, locally adaptable	• Requires sustained investment • May strain nonprofit capacity • Limited impact if not scaled	• Cost: ~\$2.8M over 20 yrs • Serves 59 workers • Avg. savings: \$36,925 per worker over 3 yrs

Conclusion:

KVG Consulting has outlined three distinct investment strategies to address child care affordability in Watertown, each with unique funding and distribution mechanisms. While all strategies rely heavily on local philanthropy and donations, the report emphasizes the importance of exploring **sustainable, long-term funding solutions** to ensure program viability.

To support future funding needs, Watertown is encouraged to consider **alternative revenue mechanisms**, some of which may require legislative or policy changes. Examples from other U.S. communities illustrate successful models:

- **San Antonio, TX:** A voter-approved local sales tax funds preschool programs.
- **Philadelphia, PA:** A city council-approved beverage tax provides free quality preschool for three- and four-year-olds.
- **Mecklenburg County, NC:** A property tax increase raised over \$9 million to launch 33 public pre-K classrooms ("MECK Pre-K").
- **Park City & Summit County, UT:** Public-private partnerships fund local child care scholarships for low-income families.

Additionally, Watertown could implement an **at-will donation platform**, allowing residents to contribute voluntarily to child care initiatives—potentially integrated into existing city billing systems such as water utilities.

These approaches offer **flexible, community-driven funding models** that can complement or replace traditional philanthropic sources, helping Watertown build a resilient and inclusive child care infrastructure.



WORKFORCE DEVELOPMENT

The WDC continues to invest in its strategic goal of growing, retaining, and developing a world-class workforce through a number of programs. The WDC also administers the **Watertown Workforce Advisory Council**, which was created to keep an active dialogue on workforce development issues important to our area.

INTERN ENGAGEMENT

Building on the success of last year's intern engagement efforts, the Watertown Development Company reintroduced its popular **"Passport to Watertown"** program—an initiative designed to welcome and immerse summer interns in the local community. Distributed to **43 interns from 9 different companies**, the passport packets included information on Watertown events, activities, and businesses, along with **Chamber Bucks and local coupons** to encourage exploration and support of area establishments. This program not only enhances the intern experience by fostering community connection and economic engagement, but also serves as a strategic tool for **talent retention**. By showcasing the vibrancy and opportunity within Watertown, WDC aims to build lasting relationships with young professionals and position the community as a desirable place to live and work. The program will continue to grow in future years, further strengthening the pipeline between emerging talent and local employers.

WDC SUMMER INTERNSHIP

In Summer 2025, the Watertown Development Company welcomed **Jaydon Steele** as our Economic Development Intern. A Watertown native and recent graduate of Lake Area Technical College, Jaydon brought a strong foundation in business marketing, a passion for community growth, and a bright future in economic development. He will continue his education at South Dakota State University, pursuing a bachelor's degree in business economics.

During his internship, Jaydon made meaningful contributions by:

- Gathering and updating material for WDC's annual report
- Attending and assisting with board and housing meetings
- Organizing and relocating important records and storage
- Gaining first-hand insight into how economic development strategies support Watertown's growth
- Jaydon also had the opportunity to partner with community leaders, strengthening his understanding of how collaboration drives progress. His professionalism, strong communication skills, and enthusiasm for learning were clear assets to our team.
- We are grateful for Jaydon's contributions and excited to see how he applies his experience with WDC as he continues his academic and professional journey!

MANUFACTURING WEEK

Manufacturing Week in Watertown, SD, is set to highlight the region's commitment to recognizing and celebrating exceptional talent in the industry. For the third consecutive year, the Watertown Development Company in collaboration with the Watertown Workforce Advisory, sponsored the **Excellence in Manufacturing Awards**. This initiative aims to honor manufacturing employees who demonstrate outstanding dedication and skill in their field.

This year, seven exceptional individuals have been recognized for their outstanding contributions in various categories. Each winner will receive \$100 in Chamber Bucks, and their names were entered into a drawing for a MackSteel Smokeless Firepit and \$100 Travs Outfitters gift card.



The winners in each category are as follows:

- **Machine Operator:** Troy Lindgren
- **Welder:** Roger DeVine
- **Production Support:** Monica Hill
- **Painters & Prep:** Kody Johnson
- **All Other Production:** Phuong Lam
- **Material Handling:** Diane Grieppe

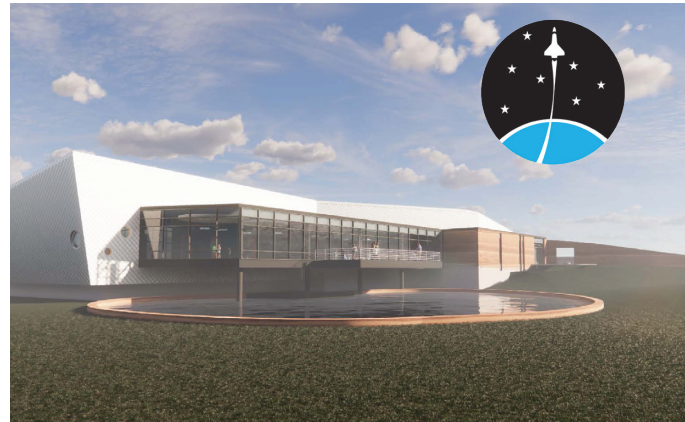
In addition to the category awards, a special drawing was held for two grand prizes. The first-place prize, a Mack Steel Firepit, was awarded to **Monica Hill of Spartronics** with over 23 years of production experience for MackSteel Firepit. The second-place prize, a \$100 Travs Outfitters gift card, was awarded to **Roger DeVine of Nutting** with over 35 years of experience in welding.

CHALLENGER LEARNING CENTER

A Challenger Learning Center is a cutting-edge STEM education facility, where students become astronauts, engineers, and problem-solvers in space-themed simulation missions. These immersive, hands-on programs ignite curiosity and build skills in science, technology, engineering, and math (STEM) — preparing young minds for the careers of tomorrow.

Why It Matters:

- **Immersive Learning:** Students step into mission control or spacecraft simulators, solving real-world challenges
- **STEM Engagement:** Programs are designed to increase confidence, collaboration, and critical thinking in STEM fields
- **Career Inspiration:** Challenger Centers help students envision futures in STEM-related careers
- **Global Impact, Local Reach:** A new Challenger Learning Center is coming to Watertown, SD — a transformative project led by the Sisters of Mother of God Monastery to leave a lasting education legacy
- **Focus on Youth:** The center will engage children and youth across South Dakota, connecting them with South Dakota industries while sparking a lifelong passion for science and space exploration

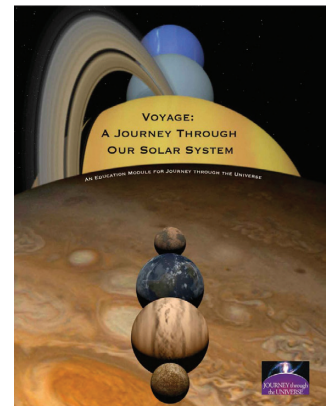


Created by the families of the Challenger Shuttle crew, Challenger Learning Centers immerse students in two-hour space missions, where they run Mission Control, test life-support systems, and drive land rovers on Mars.

- **Proven Reach:** 40-plus Centers have already served more than 6 million students worldwide, inspiring 250,000 students every year
- **Measured Impact:** After a mission, 95% of teachers report gains in teamwork, problem-solving, and student confidence
- **Engagement:** Hands-on experiments make math and science feel relevant
- **Pipeline Power:** Students step into real STEM roles, building the self-belief that “people like me can be engineers”

STEM Programs & South Dakota Industry Support:

- **Strong Industry Partnerships:** Key South Dakota industries will collaborate with the Challenger Learning Center to develop tailored STEM programs that align with the State’s workforce needs
- **Showcase of SD Businesses:** The center will feature areas that highlight South Dakota’s industries, offering students real-world examples and potential career paths
- **Support for Workforce Development:** Engaging students in STEM early on will help address the State’s shortage of technically skilled employees, and contribute to building a sustainable workforce pipeline
- **Impact on Economic Growth:** By fostering interest in STEM, the center encourages innovation and entrepreneurship, driving growth in existing and new industries, including space-related sectors
- **Cycle of Reintegration:** Education from the Challenger Center will be reintegrated into SD industries, ensuring long-term economic benefits and competitiveness in an evolving technological landscape



Currently, The Challenger Center’s website is up and running: <https://www.challenger.website>. The Challenger Center Board of Directors is currently seeking funding by approaching local businesses, targeting grants (Department of Defense STEM grant, SD Consortium grant, etc.), state funding, and more. The Industry Advisory Board just had their first meeting in July and is working through drafting the board charter. Tentative ground-breaking may take place in the spring of 2026.

ATTRACT & ENHANCE

In 2014, the WDC's first workforce incentive program was enacted with an overall funding level of \$50,000 per year. In May of 2024, the WDC voted to increase program funds to \$75,000 per year. The funds were provided to the WDC as a grant from the South Dakota Governors Office of Economic Development.

WDC's Attract & Enhance Program has invested in growing our area workforce and increasing skills of the current workforce by providing matching funds to employers for relocation expenses for qualifying positions and investment in training and up-skilling of current employees.

Since its inception, the Attract & Enhance Program has approved nearly **\$113,003** in matching funds, impacting **42** employees at **18** different companies.



PARTNER IN LATC'S "STRETCH THE MILLION" PROGRAM

In 2029, WDC committed up to \$50,000 a year to assist industry partners in funding Build Dakota Scholarship students under LATC's "Stretch the Million" program.

To date, WDC's investment in the program has supported a total of **25** industry partners in funding **58** students. This impactful investment helps our local industries secure a pipeline of skilled graduates and created a larger and more skilled area workforce overall.



INVESTOR RELATIONS

GROW WATERTOWN 2.0

Through a diverse range of initiatives, strategic partnerships, and visionary projects, WDC aims to propel Watertown and Codington County forward, ensuring sustainable growth, job creation, and improved quality of life.

Capitalizing on the momentum created from the successes of the first *Grow Watertown* campaign (2019-2023), WDC launches the **Grow Watertown 2.0**. The strategies and objectives outlined on the WDC website will allow WDC to continue to be at the forefront of, and a key contributor to, all aspects pertaining to economic and community development.

TOTAL BUDGET NEEDS

With requisite funding and investor engagement, WDC will execute the plan and provide Codington County with professional, responsive economic development efforts that will produce substantial returns on investments.

BUSINESS RETENTION & EXPANSION	\$500,000
BUSINESS ATTRACTION.....	\$725,000
WORKFORCE DEVELOPMENT	\$825,000
COMMUNITY DEVELOPMENT	\$1,125,000
INVESTOR RELATIONS.....	\$325,000
FLEXIBILITY FUND	\$500,000

TOTAL FIVE-YEAR GOAL.....\$4,000,000

YTD 6/24/24 \$3.2 MM WITH 50 INVESTORS



INVESTOR IMPACT

The competition among communities and regions for good jobs and new investments is fierce and ever increasing. Communities must continually reinvest in themselves to be competitive — remaining status quo is not acceptable. There are good companies and good jobs seeking a new home.

The growth and success of Watertown and its surrounding area depends on businesses and community leaders working together and investing together. Grow Watertown 2.0 emphasizes the importance of collaboration and engagement, demonstrating WDC’s commitment to working closely with our partners.



959
TOTAL NEW JOBS

.....



563%
ROI PRIVATE SECTOR

.....



\$2.25
ROI PRIVATE SECTOR

CAMPAIGN LEADERSHIP

CAMPAIGN CO-CHAIRS

Mark Dunn
Jim Seuer

ADVANCE DIVISION CO-CHAIRS

Troy Zebroski
Josh Hogue

LEADERSHIP DIVISION CO-CHAIRS

Dustin Flatten
Tiffany Sanderson

PACESETTER DIVISION CO-CHAIRS

Matt Roby

COMMUNITY DIVISION CO-CHAIRS

Commissioner Troy VanDusen
Mayor Ried Holien



REGIONAL GROWTH HIGHLIGHTS

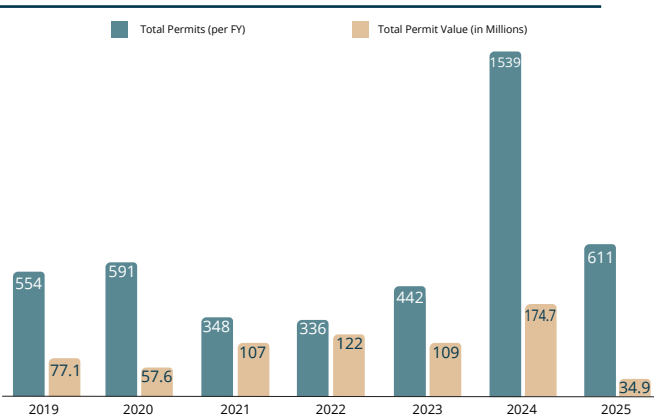
For every \$1 spent on private investment, there is an economic return of \$6.63.

Unemployment in Codington County is at a 5-year all-time low, with yearly average at 1.01%, and less than 179 unemployed residents in the labor force.

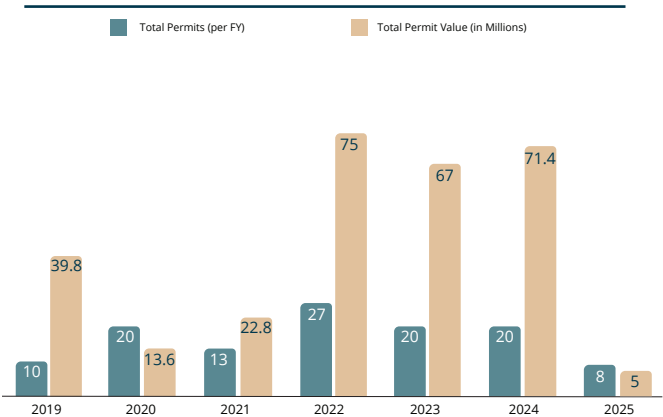
Below is the data from the Watertown SD building permits site. The 2025 data for this year runs from 1/1/25 to 6/30/25. Single and Multi family permit values are on track to exceed permit values from 2024. Commercial permit values and building permits as a whole are down slightly from 2024.

11/1/25 to 6/30/25

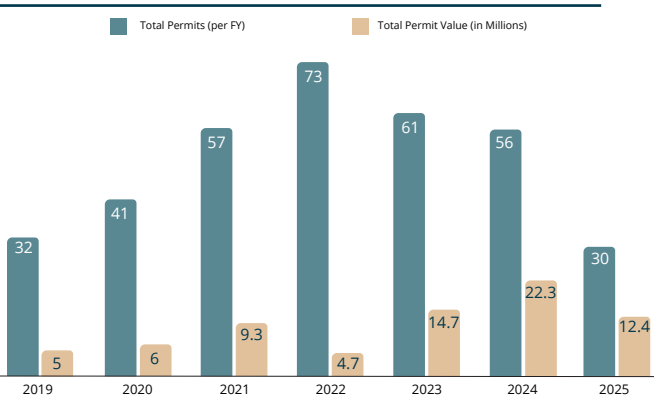
Watertown Building Permit Values



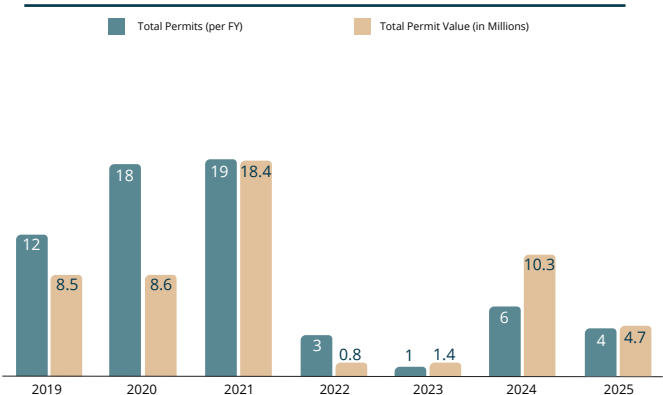
Watertown New Commercial Permit Values



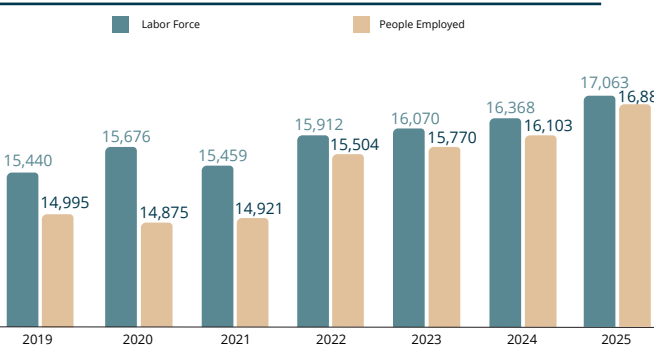
Watertown New Single-Family Permit Values



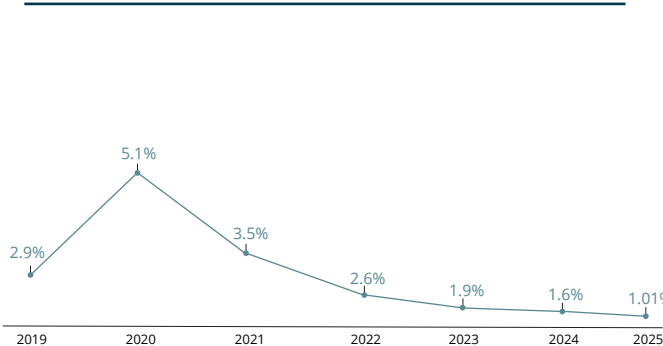
Watertown New Multi-Family Permit Values



Codington County Workforce



Codington County Unemployment Rate



BOARD OF DIRECTORS



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*Vice President Market Leader
First Premier Bank & Premier Bankcard*



TROY ZEBROSKI
*Market President
Dacotah Bank*



STEVE LEHNER
*General Manager
Watertown Municipal Utilities*



TROY VANDUSEN
*Commissioner
Codington County*



ANDRE KELLER
*Director of Clinic Operations
Sanford*



JOHN ALLEN
*President/CEO
Prairie Lakes Healthcare System*



COREY BALOUN
*Business Banking Manager
First Interstate Bank*



DUSTIN FLATTEN
*Co-Owner
Active Heating, Inc.*



DAN GARVEY
*Director Supply Chain
Terex Utilities*



BRENT HASSLEN
*President
Hasslen Construction*



JOSH HOGUE
*President
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TIFFANY SANDERSON
*President
Lake Area Technical College*



ALAN STAGER
*City Manager
City of Watertown*



DOUG SHARP
*Owner
Sharp Automotive*

WDC STAFF



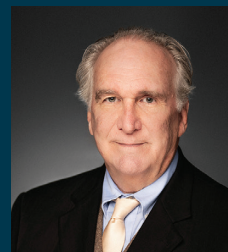
ANGIE YAHNE
*Director of E.D.
Project Management*



SARAH GIANG
Investor Relations Manager



MELISSA BACKMAN
Executive Assistant



CHRIS CLIFTON
Executive Director



WATERTOWN

DEVELOPMENT COMPANY

PO BOX 332, WATERTOWN, SD 57201 | 605.884.0340 | WDCSD.COM