

STATE OF TEXAS § **July 13, 2007**
COUNTY OF GRAYSON §

BE IT REMEMBERED THAT A Called Meeting of the City Council of the City of Sherman, Grayson County, Texas was begun and held in the City Council Chambers, City Hall, 220 West Mulberry, Sherman, Texas, on July 13, 2007.

MEMBERS PRESENT: Mayor Bill Magers; Deputy Mayor Chip Adami.
Council Members Hughes, Smith, T. Steele, W. Steele, Wacker.

MEMBERS ABSENT: None.

STAFF PRESENT: George Olson, Acting City Manager; Doreen McGookey, City Attorney; Robby Hefton, Director of Finance and Administration; Tom Watt, Police Chief; Jeff Jones, Fire Chief; Jeff Miller, Director of Public Works; Mark Gibson, Director of Utilities; Scott Shadden, Director of Developmental Services; Rita Gaither, Development Coordinator; Mary Lawrence, Finance Clerk; Pam Cloer, Assistant to the City Manager; and Linda Ashby, City Clerk.

PURPOSE: CALL TO ORDER, QUORUM DETERMINED, MEETING DECLARED OPEN

2007-2008 BUDGET REVIEW

ADJOURNMENT

CALL TO ORDER, QUORUM DETERMINED, MEETING DECLARED OPEN

Mayor Magers called the meeting to order at 8:53 a.m. declared a quorum present, and opened the meeting.

2007-2008 BUDGET REVIEW

Deputy Mayor Adami asked for discussion on the proposed bond projects. Robby Hefton, Director of Finance and Administration, presented the proposed bond projects for the first two years of the bond package.

Mayor Magers reiterated that the CIP project to rebuild Starlight Drive alley for \$515,000 has been removed from the schedule. Mr. Hefton added that the staff will "clean up" the fund balances in all funds including the CIP funds. Council Member Wacker said there still should be funding for repairs to the alley. Jeff Miller, Director of Public Works and Engineering, said the Street Maintenance Department will continue to patch the alley as needed.

Council Members reviewed the other proposed General Improvement CIP Projects. Mr. Hefton said there is some staff discussion about the Green Mount Addition Drainage Study and Engineering Design project. The project will be left in because it needs to be addressed, however there is no estimated cost or plan as to how it should be spent.

Mayor Magers suggested that the Council first consider the projects that they want to do, then determine the method of funding. Council Members discussed specific projects.

Council Member Smith reiterated that the staff will look for alternative funding sources for the aerial and topographic map updates and make sure that there is no duplication of efforts with other entities.

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Council Member Willie Steele said there are numerous projects listed for parks and he asked if it would be better to hire an internal park planner rather than paying a consultant to help plan for the parks. He also encouraged the staff to make sure the budget for maintenance increases as new park land is developed.

Council Member Smith questioned whether or not there were enough projects to hire someone full time. Council Member Willie Steele felt it would also give continuity to the City's park system. He added that there are also park projects in future years that will require study and planning.

George Olson, Acting City Manager, said the City might consider hiring an urban planner with park experience. Mayor Magers felt it was okay to consider, but the City should be very careful hiring "executive people" to add to the employee headcount. He did not feel there was an ongoing need for a park planner. He asked about expenditures made for the last three or four years for consulting firms.

Mayor Magers asked if there were other upcoming projects after the one for restrooms and concessions at Old Settlers Park. Mr. Olson said there are no major projects planned but the maintenance on the park will be ongoing.

Council Members reviewed other General CIP Projects. Mayor Magers verified that the park mapping project would determine the legal boundaries of Sherman parks and would provide a document from which the City can plan.

Mayor Magers asked about the Green Mount Addition Drainage Study and Engineering Design Project. Mr. Hefton explained that the project affected a small geographical area with significant flooding and has moved around on the CIP list. Mayor Magers said if there is no plan why is it funded. Mr. Hefton said the project is not to "fix" the problem, it's to study the problem and determine a plan. Mr. Olson said the project should include a design to solve the problem, even though it won't fund the solution. Mark Gibson, Director of Utilities, explained that the project has been on the CIP list for a while but has been moved back because it is an expensive project that only affects a few citizens.

Council Members discussed the purchase of the Union Pacific right-of-way which could be developed as a trail system to link the east and west parts of Sherman. The project could be included as a bond project. Council Member Smith felt it was a good investment for the future and would provide the City with control of a bridge over a major thoroughfare to connect the east and west.

Deputy Mayor Adami questioned whether or not the trail would be used extensively because it crosses five major intersections. The City has added many trails recently and can still expand existing trails. Council Member Willie Steele suggested reducing the proposed \$575,000 to \$75,000 and perform a study, including environmental, to determine what the Council wants to do. He said the additional money could be used to fund Phase II of the Pecan Grove Park instead of purchase the right-of-way.

Council Member Smith added that the money could be moved to another project if the Council decides not to purchase the right-of-way. Most Council Members agreed the project was okay if the money could be moved to another project later if the Council decides not to purchase the right-of-way. Mayor Magers and Council Member Smith agreed that if the Brockett Street project is not done, then the Union Pacific right-of-way project wouldn't be necessary anyway.

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Council Member Smith also verified that the Council will have a second chance to vote on the individual bond projects at the time they will be done, even though they are designated as “bond projects.”

Mr. Olson added the Council has talked about linking parks for many years and they need to plan for the parks before they are “land-locked.” Deputy Mayor Adami felt the line item should be changed to “trail system development” instead of Union Pacific right-of-way. He said the study can be completed and then see what the Council wants to do. Council Member Wacker said this type of project also lends itself to alternate types of funding.

Mayor Magers suggested that the Council continue reviewing the proposed bond projects. They were in favor of the Brockett Street project linking Grand to Travis to the Downtown area. Mayor Magers felt it should be a first class job and recommended the middle option which includes concrete with pavers. Austin College has agreed to help fund the project by contributing \$400,000.

Council Members also discussed the proposed bond projects for FY 2008-2009. They discussed the possible purchase of the Anderson Meat Property for \$2.3 million.

Council Member Smith asked if it would be possible to transfer money out of the funds that have large fund balances to pay for some of these projects without using bonds and issuing new debt. The bond money could then be used for other projects that are forthcoming. Mr. Hefton said it would be possible to use some of those excess funds for projects, adding that most projects don't lend themselves to bonding anyway. He added that even after the bonds are issued the list of projects can change because the specific projects will not be designated.

Mayor Magers verified that Council Members wanted to include funding for the Union Pacific right-of-way and the purchase of the Anderson Meat Property with the understanding that it could be used for parks and trail development. He also verified that the Council Members felt it was okay to issue \$10 million in bonds and see if other projects can be funded. Council Member Smith wasn't sure he wanted to issue \$10 million in bonds and felt some of the projects could be paid out of current money instead of issuing debt and paying over 20 years.

Mr. Hefton introduced the list of projects from the Utility CIP Program. Mayor Magers asked if the Council would like to consider scheduling both Phase II and Phase III of the Highway 82 West Water Main Extension Project for FY 2007-2008 instead of stretching it over two years. Mr. Hefton said the project is being paid through Greater Texoma Utility Authority debt and the change would have only a slight impact on the debt. Council Members were in favor of scheduling both phases of the project for FY 2007-2008.

City Council Members took a break from 10:35 a.m. to 10:50 a.m.

Council Direction for 2007 – 2008 Budget

Mr. Olson presented a list of budget items that have been discussed by the City Council to get their direction for the FY 2007-2008 Budget.

- **Comprehensive Master Plan** -- \$200,000 (combination plan) --OK
- **Pecan Grove Park – Phase I** -- \$400,000 (bond project) – OK
- **Anderson Meat Property** -- \$2.3 million
 - Pursue flood plain area and draft plan, combine with Union Pacific R-O-W
 - Not purchase
 - Change to park trail system

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- **Union Pacific R-O-W Purchase** -- \$575,000
 - Environmental
 - Trail development as whole
- **Heritage Parkway/Center Street** – NO
- **Center Street Sports Complex** – OK
 - Look at moving softball and soccer fields to separate parks
 - Plan -- \$5,000
 - Study alternate uses
- **Old Settlers Park Concession/Restroom** -- \$200,000 – OK
- **North Travis R-O-W** -- \$50,000 – OK
- **Travis Street Overlay (Kam Korner's to Washington Street)** -- OK
 - Mill -- \$111,500
 - Water Main -- \$250,000
 - Central Business District Study -- \$20,000
- **Loy Lake Culvert and Turn Radius** – OK
 - With TxDOT -- \$150,000
- **East-West Thoroughfare** -- OK
 - Washington Street -- \$3.6 million (2008-2009 Bond Project)
 - Lamberth Road -- \$822,000 (2008-2009 Bond Project)
- **Brockett Street – Design #3** -- OK
 - Porter Street to Travis Street -- \$1,575,000 (Austin College - \$400,000)
- **Blalock Acquisition** -- OK
 - Negotiate with Johnson & Johnson and possibly purchase when available in April 2008
- **Central Business District Enhancements** -- \$15,000 – OK
 - Set up enforcement
 - New substandard structure ordinance
- **Flood Control**
 - Master Plan w/ hydrological study
 - FEMA Flood Map Update – current year
 - Other Federal/State opportunities
 - Plan Only
- **Highway 75 North Infrastructure** -- OK
 - Both sides
 - \$3.7 million
 - SEDCO funded
- **Highway 82 West Water** – OK for both phases
 - Phase II -- \$340,000
 - Phase III -- \$360,000
 - Look at tap fees
- **Highway 82 East** – No activity planned
- **Brush Pick-Up** – OK
 - Two new units or retrofit – w/ no new employee -- \$237,000
- **Reverse 911** – \$18,000 per year -- OK
- **Outdoor Warning Sirens** -- \$195,000 – OK
- **Website/Marketing** – OK
 - Study and Development Team
 - Plan by Spring 2008
- **Downtown Light Pole Repainting** -- OK
 - Pursue TIF #2 Plan Amendment

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- **Grant Writing** -- OK
 - \$30,000 to \$35,000 part time employee
 - Quarterly progress report
 - Not in budget now – plan presented
- **Tourism and Hotel/Motel** – OK
 - Cut Tourism request by \$42,500
 - Cut SCAH request by \$2,500
 - Cut Museum request by \$2,500
 - DSP&R budget -- \$20,000
 - Staff to draft Hotel/Motel Plan by December 31, 2007
- **Public Safety Compensation** -- \$560,000 approved – OK
- **Certificates of Obligation Bond Issue** -- \$10 million – OK
- **Employee Over Auditorium/Ballroom**
 - With Hotel/Motel plan
- **Website Update for Tourism** -- \$10,000 (Main Street reallocation) -- OK
 - Coordinate with City Plan – total cost includes both
- **Bond Project List** – OK
- **2% Across-the-Board Pay Increase** – all employees – OK
 - ½% performance based plan – reward achievers

NEW PROGRAMS

- **Texoma Landscape Median** -- \$6,000 – OK
- **Plan Scanning** -- \$10,000 – OK
- **Utility Billing Clerk to Full-Time** -- \$2,300 – OK
- **Certificate/Incentive Pay – Utility** -- \$15,000 – OK
- **Solid Waste Pay Adjustments** -- \$13,000 – OK

Mayor Magers presented a plan concerning a sales tax election and the property tax rate. One-eighth percent sales tax equals \$1 million and 1/8% sales tax equals \$0.575 of property tax. Sherman currently has ¼% sales tax available that isn't being used. All neighboring cities already have an 8¼% sales tax.

He felt there was an opportunity to really impact needed street maintenance in Sherman through a 1/8% sales tax for street maintenance that “sunssets” in four years. He also proposed a 1/8% sales tax in lieu of property taxes which would allow the reduction of property tax in an amount equal to what the additional street maintenance sales tax would generate. The problem is that it is a “tax swap” instead of a tax cut and it is a calculation that would ebb and flow.

In the past, Sherman has been in the habit of paying for capital projects with cash instead of bonds or on credit. Today Sherman has more retail sales than ever before and can afford to bond capital projects and pay those out over a period of time.

Mayor Magers proposed that the City Council reduce the property tax rate from \$0.40 to \$0.32 per \$100 valuation which would decrease property tax revenue by \$1.4 million (using last year's numbers). Today, retail sales are a faster growing revenue source for Sherman and the City can better leverage that revenue. Also, 53% of the City's sales tax dollars come from residents outside of Sherman. Sales taxes are also paid by renters that wouldn't pay property tax.

In year one, the proposed plan would decrease City revenue by \$400,000 but it would shift a tax burden of \$1.4 million from the citizens to \$470,000 (if citizens only pay 47% of the sales tax).

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Therefore the proposal is for 1/8% sales tax increase for street maintenance, 1/8% sales tax increase in lieu of property tax, and an eight cent property tax reduction. Even with the \$0.32 tax rate the appraised values will increase by approximately 5% annually and the property tax revenue will be back where it was in about four years, just from increased values.

This proposal would shift a portion of property tax revenues from citizens to consumers, half of which don't live in Sherman. It includes a 20% tax cut in property taxes and a temporary sales tax that will go away in four years. He said the Council would need to make the commitment that if the sales tax for street maintenance passes and the sales tax in lieu of property tax passes, then they would reduce the property tax to \$0.32 per \$100 valuation.

Council Members discussed the effect the proposal would have on revenue. Council Member Smith felt they should give the citizens the opportunity to decide the issue through the election. Council Members were in favor of the proposal.

Council Member Smith expressed concern that the staff was proposing increases in the solid waste rate, the water rate, and the sewer rate, when several of the fund balances were over the target amount. Mayor Magers said this was supposed to be the second year of a three year plan to increase water rates to cover operational costs. Last year the proposed water rate increase was reduced by the City Council.

Deputy Mayor Adami said there was a projected net loss in the Utility Fund budget of \$837,144, but there is also an additional fund balance of \$162,000 even with the loss. Within that \$837,144 loss, there is \$2.5 million of transfers to other funds. He suggested that less money be transferred out of the Utility Fund so the City wouldn't have to increase rates. Council Member Smith agreed it is very hard to increase rates with such high fund balances.

Deputy Mayor Adami felt something did need to be done with commercial solid waste rates because services have been added and were continuing to be added. Council Member Wacker said there has never been a rate increase in the commercial solid waste program since it was implemented. Mayor Magers recommended not increasing the commercial solid waste rate this year but consider a possible rate increase next year. He expected that the City will see increases in the landfill costs next year.

- **3% Commercial Solid Waste Rate Increase – NO**
 - No rate increase 2007-2008 (reconsider next year)
- **1.6% Water/Sewer Rate Increase – NO**
 - No 2007-2008 rate increase, reduce future transfers, hold-off one year
- **Sales Tax Election –OK**
 - 1/8% -- Street maintenance
 - 1/8% -- Property tax relief
- **Property Tax Rate – OK**
 - \$0.40 to \$0.32 if other sales taxes pass with election
 - Reduce by resolution

Council Member Terrence Steele asked to look at the fund balance for the Hotel/Motel Tax Fund because it is out of balance. Mayor Magers recommended that a committee review the City's fund balances.

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ADJOURNMENT

There being no further business to come before the City Council today, motion was duly made and approved to adjourn the Called meeting at 12:12 p.m. Documentation for the Budget Work Session is held in the General File "Budget Work Sessions FY 2007-2008" in the City Clerk's Office.

ATTEST

MAYOR

CITY CLERK