**STATE OF TEXAS** §

**July 12, 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 12, 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 and Engineering; Mark Gibson, Director of Utilities; Scott Shadden, Director of Developmental Services; Rita Gaither, Development Coordinator; Lisa Whitfield, Legal Assistant; 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**

**<u>CALL TO ORDER, QUORUM DETERMINED, MEETING DECLARED OPEN</u>**
Mayor Magers called the meeting to order at 8:20 a.m. declared a quorum present, and opened the meeting. He commended the staff for the budget documentation that was presented to the Council prior to the meeting.

**<u>2007-2008 BUDGET REVIEW</u>**
George Olson, Acting City Manager, said the staff is presenting a budget document that is a little different than the Council has seen in past years. They took the initiatives that the Council gave during the Budget Meeting in June 2007 and drafted a package that they felt makes sense with which to move forward.

The staff is also approaching the budget from a new planning approach and addressing new financing options. Planning issues that will be addressed are the Comprehensive Master Plan, east-west thoroughfares, water and sewer infrastructure on U.S. Hwy 75 and S.H. 82, and planning in the Central Business District.

Possible new financing sources are bonds, sales tax for both street and in lieu of property tax, and funding from the Sherman Economic Development Corporation (SEDCO). The City's operating funds are balanced and have healthy operating funds.

Proposed new programs include the police and fire compensation program, across-the-board pay increases, and a new brush program. New rate increases for commercial solid waste (3%), and water and sewer (1.6%) will also be presented.

The Hotel/Motel Tax Fund will need balancing and there is about $2.7 million available in the General Improvement CIP Fund and $6.9 million available in the Utility Improvement CIP Fund. The possibility also exists to issue debt up to $10 million.

**Comprehensive Master Plan**
Mr. Olson addressed the need for a new Comprehensive Master Plan saying it is a process by which a local government establishes long-range plans to guide the policies, decisions and growth development of the community. The City must maximize the best use of the resources available.

The current Master Plan is a simple plan, but really doesn't plan for the future. It lacks the stability and flexibility of land use decisions provided by goals and objectives. The plan the staff is proposing is a combination physical plan with goals and objectives which includes goals and policies, a future land use plan, supportive maps and illustrations, text describing past conditions, and directions for future action or visions of the City.

Cost of the Comprehensive Master Plan is about $200,000 and is recommended by the staff. An update of the current Master Plan would cost about $100,000 but would not address as many components or offer goals and objectives. Mr. Olson addressed components that might be included in the Comprehensive Master Plan including annexation issues and hydrological issues, such as storm water runoff.

***Recommendation – Combination Comprehensive Master Plan***
***$200,000***

Council Member Adami asked if there was an opportunity to coordinate with Grayson County to commission a Master Plan. Council Member Smith questioned whether or not the County plan would be specific enough for the City of Sherman. Mr. Olson said that could be pursued to see if it would be viable. Improvements and growth must be coordinated on a larger level to make sure that all issues are addressed in conjunction with other entities.

**Park Topics**
**Pecan Grove Park Development**
Mr. Olson said Pecan Grove Park is an undeveloped park at flood control Site 11A, located at the intersection of Heritage Parkway and Highway 82 and consists of 120 acres. The park is currently open but provides no parking. A Master Plan was completed in 2001.

The adjoining land owner owns a 50 acre tract on the north end of the park. The property owner is deceased but the property remains in the family and they are not interested in selling the property. Mayor Magers added that when the flood control structure was built, the property lines were a compromise between the property owner and the City to avoid eminent domain proceedings. Because of the compromise the property line is in the center of the lake. Mr. Olson said the City owns 120 acres in the park and a four-acre cemetery that they continue to maintain.

When the park was master planned in 2001, it was determined that it should not be overdeveloped and should be maintained as a regional park. The proposed plan includes about three miles of walking trails, various parking lots, some large group picnic pavilions, fishing docks, playgrounds, restroom, and eventually a road from Canyon Creek Drive to Shady Oaks Lane.

The staff is proposing perimeter fencing and Council Member Willie Steele asked if that was a requirement from the property owner. Mr. Olson explained that it actually serves both the property owner and the City by delineating the public-private use of adjoining property. He felt it was very important for the City to try and protect and preserve the owner's property as much as possible.

***Recommendation –*** ***Phase 1 Development -- (FY 2007-2008 Bond Project)***
***Property survey, perimeter fencing, east parking lot***
***Estimated Cost - $400,000 (includes master plan update)***

***Phase 2 Development – (FY 2008-2009 Bond Project)***
***Estimated Cost - $2.4 million***

Council Member Terrence Steele said one item included in plans for Pecan Grove Park is an amphitheater and he said the Tourism Committee has discussed moving the Hot Summer Nights event from the Municipal Grounds to Pecan Grove Park. He felt Pecan Grove Park would allow a great opportunity for other concert groups to hold outdoor events.

Mr. Olson added that completing phase 1 of the development would get the park open and secure and would provide a parking lot.

**Anderson Meat Property – Fairview Park Expansion**
As directed by the City Council, Mr. Olson said he has looked at purchasing the old Anderson Meat property on Taylor Street for expansion of Fairview Park. Asking price for the 32 acre tract is $2.3 million. The property, which runs through the flood plain, consists of four residences, one commercial structure, and one stock tank.

Projected uses of the property are for open/green space, expanded picnic facilities or playground, expanded parking lot, hike/bike trail expansion and connection to the neighborhood, Frisbee golf, skate park or sports courts. With major land renovation the property could be used for sports fields. The stock tank would have to be closed if the City purchased it for park use.

Mr. Olson recommended negotiating with the property owner for land acquisition or a donation of property in the flood plain, which is about 10 acres. The property could be used for hike/bike trail expansion and to connect with the McGee Street neighborhood. However, he felt that the $2.3 million could be better spent at Pecan Grove Park. He added that the Council should include the Parks and Recreation Advisory Board in the decision about acquisition of the Anderson Meat property.

***Recommendation --*** ***Negotiate land acquisition/donation of flood plain for hike/bike trail expansion and a neighborhood connection to McGee Street***

Council Member Smith verified that the property would be very good for multi-family housing and said he felt it would better serve the City on the tax rolls than it would as park property. He also expressed concern about citizens crossing Taylor Street to get from one part of the park to the new part. Council Member Wacker said the hike/bike trial was recently expanded at Fairview Park anyway.

Deputy Mayor Adami said consideration should be given to the property to locate all the sports fields at one location.

**Union Pacific R-O-W Acquisition / Trail Development**
Mr. Olson said there is approximately 2.5 miles of abandoned railroad right-of-way from Pacific Street to Gallagher Drive. The right-of-way then continues on to Hwy 691. In the portion from Pacific Street to Gallagher Drive there is one major bridge crossing at Texoma Parkway and five

major intersection crossings at Taylor Street, Loy Lake Road, Peyton Street, the Highway 82 frontage roads, and Gallagher Drive.

The preliminary offer from Union Pacific for purchase of the 2.5 miles of right-of-way is $575,000. The property would be conveyed by deed without warranty and is "where is, as is" meaning that he City would need an environmental assessment to make sure the City isn't purchasing property that would require an environmental clean-up.

Cost of the actual trail development would be between $2 million and $2.5 million and would consist of a 12 foot concrete trail with lighting. There would also need to be bridge enhancement and security at the Texoma Parkway crossing and enhanced pedestrian crossings at the major intersections.

Several years ago the City paved over the rail line located on Branch Street, so plans would need to be made to bring the trail to Brockett Street and tie into the Central Business District projects. He added that if the City doesn't do the Brockett Street and Central Business District projects, then he would not recommend developing the right-of-way trail system either. Mr. Olson said if the City does plan to purchase the right-of-way for the trail project and plans to take water and sewer to Hwy 691, then he would recommend purchasing the right-of-way to Hwy 691 as well.

***Recommendation -- Phase I – (FY 2007-2008 Bond Project)***
***Development/acquisition tied to Brockett Street/CBD improvements***
***Negotiate/purchase of Union Pacific ROW at $575,000***
***Perform due diligence with a corridor risk assessment***
***Trail development planning***

***Phase II – (Future Bond Project)***
***Trail construction at cost of $2 million to $2.5 million***
***Seek offer from Union Pacific on possible acquisition of Gallagher Road to Hwy 691 right-of-way***

Council Member Smith verified that the actual trail construction is not included in the FY 2007-2008 recommendation, but would be planned for sometime in the future.

**Heritage Parkway – Center Street Hike / Bike Trail**
Mr. Olson said the developer originally discussed donating some of the land from an abandoned road for future hike/bike trails in the Heritage Parkway – Center Street area. The expected plans for the development have changed and this is no longer an issue.

Mr. Olson still recommended studying alternatives for the area and connections to the neighborhood through the Comprehensive Master Plan.

**Center Street Sport Complex Development**
Mr. Olson said the Center Street property was acquired from the Sherman Independent School District in 2006 for $230,000. There is an interlocal agreement to allow the SISD to use the facility for two years or until a new field house was constructed. Anticipated vacancy of the facility is estimated by the SISD to be in September 2007.

The staff vision for the property includes multiple regulation size, lighted sports fields, probably football and soccer, and amenities such as irrigation, fencing, restroom, concession facilities, parking lots, hike/bike trail connection or bridge to Binkley Park, demolition of the existing field house, and various site amenities.

Mr. Olson recommended that the Council approve $5,000 to contract for a professional Parks Master Plan of the property. This would determine the need for sports fields and how the park could tie-in to the City's park system and other surrounding amenities.

***Recommendation -- CIP Project (FY 2007-2008)***
***Contract for professional Parks Master Plan for $5,000***

***Bond Project (FY 2008-2009)***
***Park construction for $1 million***

Council Member Willie Steele asked if there has every been discussion about moving the softball fields from Fairview Park to the Center Street Complex and locating all the soccer fields at Fairview Park, which would give a separate use for each park. Mr. Olson said it has not been considered but he was "intrigued" with the suggestion. He did express some concern about the fate of Fairview Park if it was only a soccer complex.

Council Member Willie Steele said they might consider making Center Street a more passive park and Fairview Park a more active park. Council Member Wacker said the youth fields could also be left at Fairview Park but the adult fields could be moved to Center Street. Mr. Olson said the new elementary school on Binkley Park Drive also has plans for some fields that might be used for adult soccer.

Council Member Smith verified that the proposed Parks Master Plan would address these concerns and suggestions.

**Old Settler's Park Restroom**
Mr. Olson said the existing Old Settler's Park Restroom is an old facility and needs to be replaced. It serves five older ball fields and a large picnic pavilion and is not ADA compliant. He recommended demolishing the current restroom and replacing it with a pre-fabricated restroom with concessions, similar to the facilities at Herman Baker and Hawn Parks.

He also recommended slowing down on improvements for Old Settler's Park because of the extensive amount that has already been completed and because as the fields get older maintenance issues will arise. Council Member Smith verified that approximately $3.5 million has been spent at Old Settler's Park in the last ten years.

***Recommended -- CIP Project (FY 2007-2008)***
***Purchase/construct new concession/restroom facility***
***Estimated Cost is $200,000***
***Includes demolition of existing facility***

Deputy Mayor Adami verified that adding an additional urinal or toilet in the facility would cost about $250,000 instead of $200,000. These facilities are pre-fabricated and must be purchased as designed.

Mayor Magers said Old Settler's Park is an asset that should be leveraged for regional sporting events to attract other communities.

**Street Topics**
**North Travis at F.M. 131 Corridor Plan**
Mr. Olson addressed needs for the street corridor on North Travis Street from Taylor Street to the north City Limits at Knollwood/Kreager Road. North Travis Street is also F.M. 131, so any plans

must be coordinated with the Texas Department of Transportation. Issues of concern include increased traffic volumes due to development, hazardous intersection at Canyon Grove Road, the City Limits has moved north to Knollwood/Kreager Road, and planning for the future to F.M. 691.

***Recommendation -- Pursue/acquire right-of-way in four sections:***
***Taylor Street to Lamberth Road; Lamberth Road to Canyon Grove Road; Canyon Grove Road to Knollwood (existing City Limits); and Knollwood Road to F.M. 691***
***Consider annexation plans along Travis/F.M. 131 to F.M. 691 (Comprehensive Master Plan)***
***Coordinate with TxDOT for Roadway design and funding plan***

Council Member Smith asked if the State didn't plan and implement changes to State Highways. Jeff Miller, Director of Public Works and Engineering, said TxDOT will design improvements to the highway, but they are asking the City to share in the project by acquiring right-of-way and moving the utilities so the road can be improved. The road improvements and construction will be the responsibility of TxDOT. Mayor Magers verified that the plan is to add right-of-way for three lanes.

Mr. Olson added that the City will also need to consider east-west thoroughfares at maybe Kerr-Chapel Road or Highway 691. Mayor Magers agreed that the annexation of F.M. 691 was a critical point.

**Travis Street Improvement Plan**
Another initiative from the City Council was to improve Travis Street from Kam Korners to Houston Street. This is an older part of the City and the underground area is unknown. Mr. Olson said it's time to do this project and contend with whatever is underground, including the old interurban rail line. He said the disruption of businesses during the construction will be very important and the City should know what needs to be done beforehand. He also stressed cooperation and coordination with other utilities.

Mr. Olson said the staff is recommending that the project be split into two phases with the first phase being from Kam Korners to Washington Street and the second phase from Washington Street to Houston Street.

***Recommendation -- Phase I – Kam Korners to Washington Street -- CIP (FY 2007-2008)***
***Mill and Overlay -- $111,500***
***Water Main Replacement -- $250,000***
***Travis Street (CBD) Rehabilitation Study -- $20,000***

***Phase II – Washington Street to Houston Street – CIP (FY 2008-2009)***
***Travis street (CBD) Rehabilitation Study/Action Plan***
***Implementation/Funding Plan***
***Revised and Updated Cost Estimates***

Council Member Smith asked if the City had the expertise and manpower to perform the CBD Rehabilitation Study in-house, instead of contracting it out. Mr. Olson felt the staff could perform the study, but time is also an issue.

Council Member Smith asked about the portion of Travis Street from Hwy 75 to Taylor Street. Mr. Miller said that portion is also State highway and the City has been asking TxDOT to help with improvements to that section. They have finally committed to adding that portion to their project list for next year for a mill and overlay.

Deputy Mayor Adami asked if the project would address water issues at Kam Korners at the same time. Mark Gibson, Director of Utilities, said the major problem with flooding in that area is that the State drainage structures are not sized for an area with that much development. Additional drainage structures are needed under Hwy 75 and that is very expensive. Mr. Miller said TxDOT is proposing the rebuild of Hwy 75 in the future, probably in 2012, but the staff is not sure the rebuild is planned to that intersection.

**Loy Lake Phase III – Taylor to Texoma Parkway**

Mr. Olson said Phase I and II of the Loy Lake Road Project have been successfully completed, on time and under budget. Phase III of the project includes project design on the portion from Taylor Street to Texoma Parkway, and will be approached the same as Phase II. It will address the sporadic base failures and provide a sectional rebuild of the street, will replace and improve utilities as necessary and will maintain vehicular traffic access for businesses and will be rebuilt in concrete.

The project does have two main issues including the failing culvert at Texoma Parkway that will need to be replaced and an inadequate turning radius at the intersection of Texoma Parkway and Loy Lake Road.

***Recommendation -- Phase III complete rebuild is not recommended at this time***
***Replace Culvert/Enhance Intersection -- $150,000***
***TxDOT will prepare culvert/intersection design***

Mr. Miller said TxDOT has committed to rebuilding the intersection with an improved radius, at their cost and design, if the City will build the street over the culvert.

**East–West Thoroughfare Plan**

Mr. Olson said the City's current Comprehensive Master Plan includes a thoroughfare plan but it is ten years old. Thoroughfares include Park Street, Washington Street, McGee Street, Taylor Street, Lamberth Road, and Kerr-Chapel Road. There has been significant development on Washington Street and Lamberth Road since 1998. Development around the Grayson County Airport will also need to be considered when locating the road around the Airport.

He added that the cost to rebuild Washington Street to the City Limits, which is just past Cinrose Lane would be about $3.6 million. Cost to complete Lamberth Road as a boulevard, which includes another two-lane road on the south side, would be about $822,000.

***Recommendation -- Updated Comprehensive Master Plan to support decisions – (FY Bond Project 2008-2009)***
***Washington Street construction project – Estimated Cost -- $3.6 million***
***Lamberth Road completion project – Estimated Cost -- $822,000***

Council Member Smith verified that the Washington Street project could be completed in phases. The street rebuild from F.M. 1417 to the bridge would cost approximately $1.3 million, and the cost to replace the bridge would be about $900,000. The final portion would also cost about $1.3 million. Mayor Magers verified that the staff is proposing that the project be included in the bond proposal.

Council Member Smith asked what other areas were being considered for east-west thoroughfares as they plan for the future. He addressed Kerr-Chapel Road, Fallon Drive, and Park Street, saying the City needs to plan for growth in the south and north too. Mr. Olson said there is growth by Park Street and to the northwest of the City. He added that the Master Plan will be a good tool to help the City make good future plans.

**Brockett Street – Travis to Grand**

Mr. Miller said there was a design and engineering study prepared in 2002 to address improvements to Brockett Street. The project was planned to enhance the entrance for Austin College and to promote pedestrian traffic to the downtown area. The area included is along Brockett Street, from Travis Street to Porter Street. Three design scenarios, including decorative medians, landscaping and hardscaping, sidewalks, improved lighting, and an overlay district, were considered for the project. A portion of the project area is included in the College Park Overlay District.

Mr. Miller presented the three design scenarios from the 2002 study, including Scenario #1, an "elegant" plan at an estimated cost of $2.5 million; Scenario #2, a "simple" plan at an estimated cost of $970,000; and Scenario #3, the "recommended" plan which has three cost estimates based on choices by the Council. Cost of the project with an asphalt street and pavers would be $1,304,000; with an asphalt street but no pavers would be $1,180,000; and with a concrete street with pavers would be $1,575,000.

One problem along Brockett Street is the interurban railroad and it is actually visible at the north end of Maxey Street. The rails were encased in concrete and will be extremely costly to remove. This will present an engineering design problem to determine how to put a street section over the top of the concrete block.

***Recommendation --*** ***Key to Union Pacific rail right-of-way acquisition/trail development plan***
***Scenario #3 in concrete with pavers – $1,575,000 -- (FY 2007-2008 Bond Project)***
***Austin College 2007-2008 -- $400,000 committed to project***

Mr. Olson added that Austin College has now committed $400,000 to the project which will enhance the entrance to their facility. Mayor Magers added that Austin College doubled what they had planned to commit to the previous SPAN project.

Deputy Mayor Adami said that both Travis Street and Brockett Street need to be replaced, whether or not the City acquires the Union Pacific right-of-way. Mr. Olson said development must also be encouraged in the internal City and not only in the outlying areas. This project will help spur development along this northeast quadrant and will continue the commitment to downtown.

Council Member Willie Steele asked if the road could be rebuilt now and the enhancements added at a later date. Mayor Magers said Austin College's contribution will only be paid for the total project.

City Council Members took a break from 9:56 a.m. to 10:07 a.m.

**<u>Planning / Development Topics</u>**

**Property Acquisition at Blalock**

Mr. Olson explained that TxDOT will have about 7.5 acres available for sale by April 2008, next to the Blalock Fire Station. The property will be offered to the City, County, and SISD first, and if more than one party is interested, they will accept sealed bids from the entities. TxDOT will also certify that the property is environmentally clean.

Mr. Olson said there is a deed restriction on the Blalock Fire Station and last year, the former City Manager wrote Johnson & Johnson to see if they would release the City from the deed restriction. The restriction says that the property must have a "public use" and if it doesn't it must revert back to the grantor, which is Johnson & Johnson. At the time, Johnson & Johnson said no, however Mr. Olson recommended that the City negotiate the terms of the deed restriction with them again. He added that he is not aware of any other property that they currently own in Sherman.

If the City could get the property removed from the deed restrictions and then purchase the TxDOT property, it would need to go through the zoning process, but could then be sold. Mayor Magers verified that the City owns the Blalock Fire Station property with deed restrictions.

Mr. Olson said if the negotiations don't work, the City would need another plan designating what could be located on that property, and those options would be limited. Even if the City obtains the property, they would need to go through the zoning process to remove it from the Blalock Industrial District. This process would require public hearings and contact with the plant managers.

Council Member Smith asked if objections from the plant managers would stop the property from being removed from the Blalock District. Scott Shadden, Director of Developmental Services, said removal does not require agreement from the industries, but they do have the right to object.

Council Member Terrence Steele asked about the process if a private entity is interested in the property. Mr. Olson said the City, County and School District would have the first option on the purchase of the property. If none of the public entities want to purchase the property, it would then be offered publicly and they would have to meet current zoning requirements. Council Member Willie Steele verified that the City could tie the contract up with a contingent contract dependent on zoning changes.

***Recommendation -- Negotiate terms/release of deed restrictions with Johnson & Johnson***
***If negotiations satisfactory, make offer on property***
***Take through zoning process***
***Sell property***

**CBD Enhancement / Enforcement**

Mr. Olson said the areas identified for enhancement and enforcement in the Central Business District are the East (study area) from Montgomery Street to Willow Street and from Lamar Street to Mulberry Street and the general Central Business District.

In this study area there were 155 parcels identified with 46 being residential, 23 commercial, 84 industrial, and 2 were railroads. Public issues include substandard structures, junk vehicles, trash/junk/debris, and high grass.

Mr. Olson recommended that enhanced code enforcement be "stepped up" in both the study area and the Central Business District in general. He recommended increased substandard residential abatement, junk vehicle abatement, trash/junk/debris and high grass enforcement, and pursuing commercial and industrial structures as a new ordinance is developed.

Mr. Olson also recommended that $15,000 be included in the budget to provide additional mowing in the railroad right-of-ways.

***Recommendation --*** ***Use current resources to step up enhanced code enforcement within study area and CBD general***
***Substandard residential abatement***
***Junk vehicle abatement***
***Trash/junk/debris and high grass enforcement***
***Pursue commercial / industrial structures (new ordinance development)***
***Additional resources needed***
***Railroad mowing/weed eating and general clean-up***
***$15,000 (operating)***

**Flood Control Discussion**
Mayor Magers said former City Manager Jim Andrews appeared at a recent City Council Meeting and asked the Council to reallocate funds to the flood control site that was not built. After research, Mayor Magers said the Council unanimously voted to pull the issue from consideration. Three items converged prior to the decision: Federal money that had been promised was not funded, property owners were not on board, and there were other priorities.

He recommended that the Council authorize a hydrological study in the Comprehensive Master Plan and in the meantime take a calm, thorough, measured review of what has happened, and work with the Engineering Department, Rural Conservation, FEMA, and TxDOT, and look at what has been done and what needs to be done. He urged the Council not to make rash decisions when emotions are high. He added that the flooding and the water damage were not normal situations.

Mr. Olson reminded the Council that the City recently entered into an agreement with FEMA to update the flood plain maps, which will supplement the process for updating the Comprehensive Master Plan.

Mayor Magers reiterated that the Council should review what has happened, get experts involved, but that it wouldn't be prudent to set aside funding that may or may not be needed. The flood control structures were originally built in partnership with the Federal government and other entities, and those partnerships no longer exist. He urged a calm, measured approach to determine the answers and to move forward.

Deputy Mayor Adami felt the City should do whatever possible to pursue new opportunities for Federal funding. Council Member Wacker added that there are many new Federal regulations that must also be considered.

Mayor Magers felt it was premature to include money in the upcoming fiscal year budget for the flood control projects.

<u>**Utility Topics (Highways 75 and 82 Infrastructure)**</u>
**U.S. Highway 75 North**
Mr. Gibson presented information on utility topics for the Highway 75 and 82 infrastructure. There are three recommended phases of water and sewer projects on Highway 75 North, with each phase having a separate east and west portion. He discussed the specifics of development on the east side versus development on the west side. The west side would assist with a future second feed to the Water Treatment Plant.

Mr. Gibson presented estimated costs for projects on both the east side and the west side of Highway 75 North. Total costs for all three projects on the east side are $1,870,000 and total cost for all three projects on the west side are $1,856,000. The projects would also include three lift stations and would need to be situated with development as it occurred.

***Recommendation --*** ***With SEDCO funding in 2007-2008: Construct both east and west sides***
***Estimated Cost - $3.7 million***

**U.S. Highway 82 West**
Mr. Gibson said the Master Plan is different for Highway 82 West because commercial development is "clustered" at the major intersections. The anticipated growth is tied to the Highway 289 and Highway 82 annexation and is consistent with the expected growth pattern in the Master Plan.

Council Member Smith felt development on both sides of Highway 75 North and Highway 82 West was very important.

Mr. Gibson said the City is currently working on Phase 1 for Highway 82 West, which is up to Lamberth Road. He recommended that Phase II and Phase III be completed in fiscal year 2007-2008 and 2008-2009, respectively.

Deputy Mayor Adami asked if there would be a cost savings to complete Phase II and Phase III as one project. Mr. Gibson said there might be some cost savings by combining the projects. The GTUA bonds have already been issued.

***Recommendation --*** ***GTUA Bond 2007-2008: Construct Phase II - $340,000***
***GTUA Bond 2008-2009: Construct Phase III - $360,000***

**U.S. Highway 82 East**
Mr. Gibson said the third corridor is Highway 82 East which is mostly zoned for future commercial and industrial development. He said the area is dormant and no activity is recommended. A three phase project could be developed if needed.

***Recommendation --*** ***No activity***
***Future planning to be considered in accordance with Comprehensive Master Plan***

Mr. Gibson reiterated the priorities as Highway 75 North, completed with SEDCO funding; Highway 82 West completed with GTUA funding; and no activity on Highway 82 East at the present time.

**<u>Miscellaneous Topics</u>**
**City-Wide Brush Pick-Up Service**
Mr. Miller said the Solid Waste Services elected to evaluate the City's brush collection program to determine if there was a more efficient way to collect brush and how they could give better service to the citizens.

Brush collection is one of the most requested services and is very much related to weather. Mr. Miller added that it is expensive and wasteful to put brush in the landfill. He said the City's goal is to get 100% of the brush from the City out of the landfill. He added that the focus has been residential, but the program could be expanded to include commercial property.

Currently citizens can put small brush in their automated trash carts, they can use their free special pick-up and pay for all other pick-ups, or they can put it out for the annual Spring Clean-Up.

Currently the City uses a "knuckle-boom" loader, which requires an operator, and a flatbed truck that pulls up alongside and picks up the brush. The loader is very efficient, but the process requires two pieces of equipment and two operators. If the truck fills up before the job is done, then a third piece of equipment would be needed to pick up the remainder.

Mr. Miller recommended that the City purchase a combination brush truck and loader and hire one worker dedicated to the program. The proposal would allow for a quarterly brush pick-up at every home in Sherman. If the program goes well, the staff would like to increase the pick-up to monthly. The brush would be set on the curb on a special schedule and would be picked up. Mr. Miller felt that the one additional worker would still be enough to handle the monthly pick up.

Mr. Miller added that the additional truck/loader could also be used to help the other loader with the special trash pick-ups and Spring Clean-Up. Hopefully with the use of the two loaders, Mr. Miller said they might be able to eliminate the need to "borrow" people from other departments to help with Spring Clean-Up.

Mr. Miller said that the goal is to continue to take all brush to the Ida Road "brush site" and eliminate going to the landfill, which will result in a cost savings. Two or three times annually the City hires a tub grinder to come in for about $1.20 per yard, grind the brush and haul it off as boiler fuel to a facility in Oklahoma.

***Recommendation -- Purchase new equipment***
***Replace worn out flatbed truck***
***Hire one equipment operator (new position)***
***Advertise/promote new brush program to residents***
***Program Cost – 2007-2008 Budget***

Council Member Willie Steele asked about the possibility of using the old knuckle boom loader and retrofit it to another truck so the City would essentially have two "new" efficient trucks. Mr. Miller will look into the possibility of using the old knuckle boom loader on a new truck. Council Members talked about various options. Mr. Miller said the City always has a waiting list for free pick-ups and for special pick-ups.

Council Member Willie Steele asked why the City offers free pick-ups. Mr. Olson said before the automated pick-ups, citizens could put as much trash out as they needed to twice weekly. When the City went to automated carts it limited the amount of trash that could be picked up. Offering the additional pick-ups keeps trash out of the ditches and along the roadside. Deputy Mayor Adami added that the City previously offered a Spring and a Fall Clean-Up. When the Fall Clean-Up was omitted, they added the one free pick-up annually.

Mayor Magers said the best thing about keeping brush out of the landfill is that it reduces the City's landfill costs and extends the life of the landfill. Council Member Smith added that it also provides a great service to the citizens. Mr. Miller said the staff can re-evaluate the equipment and how it is put together. Mayor Magers felt the City would be better served with two-efficient vehicles rather than hiring additional personnel.

**Reverse 911 System**
Jeff Jones, Fire Chief, said the City currently relies on local media and the outdoor warning sirens for disaster and emergency communications. The Reverse 911 system has existed for about ten years and originally started as a way for advertisers to solicit many customers at one time. The system has become effective as a way to notify a group of citizens in such situations as missing children, local emergencies, or weather events.

The Reverse 911 system is web-based and can be set to notify citizens citywide or in pre-selected areas that are identified from a code. The system can be launched from anywhere through a cellular telephone and the pre-recorded message can be delivered to the entire group within three minutes.

The Reverse 911 system "code red" was recently used by Van Alstyne to notify every citizen in the zip code about an impending weather event. Many Sherman residents received that notification because they were included within the designated zip code. The system can be used to notify citizens of any local event within minutes.

This system also allows citizens to register additional telephone numbers so it will notify cellular telephones, business telephones, or several telephones for the same address, such as children with cellular telephones or babysitters.

The system has an annual cost, based on minutes used, with the estimated annual cost of $18,000 based on three telephone calls, citywide, at about 30 seconds in duration each. The system will call back three times with busy signals or no answer. The charge is per dialed minute, whether or not the call is answered. There is also a cost to purchase the telephone numbers of approximately $2,051.

The numbers are available through sources such as credit bureau services, the E911 system, and other sources. The database can be updated as often as the City wishes. Citizens can also register their number into the system. Chief Jones felt that Verizon's 911 databank would probably be the most effective to purchase to get a databank for Sherman.

***Recommendation -- Implement a Reverse 911 System as a new program for FY 2007-2008 Budget***
***Estimated Cost - $18,000 annually***
***$2,051 to purchase telephone numbers or each time the database is updated***

**Outdoor Warning Siren Upgrade**
Chief Jones said the current outdoor warning siren is aged and the City incurs annual maintenance costs to keep the system working. There are 19 sirens located throughout the City. The system is not designed to wake citizens to alert them to inclement weather but when sounded, citizens should move to a sturdy structure and tune to local television or radio for information.

In 2005-2006 the Police Department changed the radio system from an analogue system to a digital system, which is a more dependable, secure system for officers on the street. The outdoor warning sirens share that police frequency. When the outdoor warning system is needed, the operator must physically change the system from digital to analogue, must stop all police radio communications, and activate the system. The system must run for one to two minutes before the system can be switched back to digital and police officers can again use the radio system.

Part of the upgrade of the system would allow the staff to perform a silent test anytime it was needed instead of scheduling the monthly tests that are heard by all citizens. It would also allow for activation from multiple points and would not interrupt emergency communications. The City currently has a radio frequency that is not in use and would not cost additional money to use. It would require a new transmitter and receivers at the outdoor warning sirens. The system will be expensive because there are 19 sirens that will require a new two-way radio in place. It also requires a software computer system that would allow 24 hour per day monitoring.

***Recommendation -- Upgrade outdoor warning siren system***
***CIP Project 2007-2008 - $195,000***

Chief Jones said the alternative is to continue to share the frequency with the Police Department. Council Member Terrence Steele verified that by sharing a frequency, police officers would be on the street without the ability to contact the Police Department during the time it was being used for the warning sirens. Other officers could hear them but the dispatcher couldn't hear or respond. The Fire Department is still on an analogue system and on a completely different frequency so there is no interference between those systems.

Chief Jones explained that the new system would be 800 megahertz and would include new software for the completely new radio system. The system will provide citywide coverage. When the City grows, the staff will need to consider whether or not a new warning siren will be needed. The height of the pole, the strength of the receiver, and the antenna location will all affect the decision.

Mayor Magers asked if a wireless system could be used instead. Chief Jones said wifi still uses an 800 or 900 megahertz system and would still require that the receivers are replaced and a new transmitter is in place to send the signal. Even if the frequency is shared with someone else, there would still be charges for equipment. The proposed system would use a private frequency.

Chief Jones said the alternate is to run hard telephone lines to each siren, which would exceed the cost of the new system in a few years.

Mayor Magers expressed concern about future changes in technology that might affect the 800 megahertz system and cause interference or "bleed over" from wireless uses.

**Marketing the City / Website Development**

Robby Hefton, Director of Finance and Administration, said historically the City has focused on specific actions to market the City instead of taking a "holistic" approach. In the past, the City has focused on the website to disseminate information to citizens, have relied on brochures through the Chamber of Commerce and the Tourism Department, and has used the Government Access Channel and City View on cable television to reach citizens.

This process doesn't set a target or identify the scope of what the City is trying to accomplish, or set goals and objectives of what needs to be accomplished. He addressed the lack of strategic planning such as promoting the City's website but not updating the content on a daily basis.

The staff is recommending that the City develop a long-term strategy for sales and marketing, then implement tactics to reach that strategy. He suggested developing a team internally including the Tourism Department, SEDCO, and possibly Grayson County, identifying the issues and developing a plan. If the Council agrees, the staff would proceed and submit a draft of the plan to them in the early Spring.

Mayor Magers asked what the City is currently paying for the website. Mr. Hefton said the City has paid DSB Worldwide for updates and hosting, approximately $20,000 during the last 18 months to 24 months. Mayor Magers expressed concern that there was not enough storage space to host the City Council agendas in an electronic form on the website. Council Members discussed the problems with the website and storage for agendas.

Deputy Mayor Adami asked if areas such as bill paying and verification of bills would be included in consideration of uses for the website. Mr. Hefton assured the Council that these areas would be considered and he felt the website would still be a central focus of marketing efforts for the City.

Council Member Willie Steele felt the website should be more interactive with the citizens rather than market the City to outside people. He felt there were other organizations that should actually market the City. Council Member Smith felt that the website could be interactive for the citizens and market the City too. He agreed that the website needs a complete remake.

Council Member Terrence Steele said Sherman is in a global economy and for the month of July 2007, the website has had almost 200,000 "hits." Many people want to "look" at Sherman before they visit Sherman.

Mr. Hefton added that the estimated cost to prepare the plan will be $4,000. This cost will not "fix" the problem just prepare a plan.

***Recommendation --*** ***Develop a team to identify sales and marketing mission, strategies, and tactical initiatives (sales and marketing plan)***
***Conduct a strategic planning session with internal sales and marketing team***
***Estimated Cost - $4,000***
***Present sales and marketing plan to Council in Spring 2008***
***Make changes to website***

**Downtown Light Pole Repainting**

Mr. Hefton said in the past, the City has discussed painting the downtown light poles. The Tax Increment Financing Program #2 was established in 2005 with a project plan by Bucher, Willis & Ratliff that did not include the light pole painting. The original plan included brick paver cross-walks, landscape planters, shepherd's hook street lamps, park benches, and trash receptacles. The light pole repainting was subsequently identified as a project to be coordinated between Downtown Sherman Preservation and Revitalization and the TIF #2 Board.

The TIF #2 plan can be amended to include the project, but must then be submitted to the State for approval.

***Recommendation --*** ***Appoint three replacement Board Members to TIF #2 Board***
***Board can amend TIF #2 project plan to include light pole repairs and maintenance***
***Submit restated project plan to Texas Attorney General's and Comptroller's offices***

Board Members have been updated and Mr. Hefton said if there are other plan amendments that need to be made, they should be completed at the same time.

**Grant Writing Program**

Mr. Hefton said there has been some grant writing initiatives at the City in the past, however there has been no centralization of the grant writing process. He added that alternative funding sources might be used for public safety, parks, Main Street, technology, and community services such as housing and the library.

Possible approaches might include hiring a person to handle grant writing, working with the Texoma Council of Governments to provide support, or work through related organizations such as Main Street or the Tourism Department. The process could also be handled internally but decentralized at the department levels, or internally in a centralized way.

The staff is proposing handling grant writing internally, but in a centralized way by hiring a part time person for 20 to 25 hours per week. The City could also seek assistance from Austin College, University of North Texas, Texas A&M at Commerce, or University of Texas at Dallas, for students seeking interim experience in public service. The employee could also work with internal departments as well as outside departments such as Tourism and TCOG.

Mr. Hefton said he felt this could be used as a pilot program and could be easily dismantled if it did not obtain the expected results.

***Recommendation -- Seek part time employee to work 25 to 30 hours per week***
***Seek assistance from local college students seeking interim experience in public service and from internal and outside departments***
***Estimated Costs – Personnel - $25,000 to $35,000***
***Training, materials, and equipment - $5,000***
***Funding for this program is currently excluded from the proposed 2007-2008 Budget***

Deputy Mayor Adami expressed concern about the success of a person that would provide this service on a part time basis for multiple departments, as opposed to a professional organization that provides the service on a contract basis and are only paid if grants are obtained. He felt the City would be more successful with a full time expert that does grant writing for a living.

Council Member Wacker said there are people that provide that service for a percentage of the grant money, however that is unethical. There is a code of ethics with professional fundraisers that prevent them from working for a percentage based fee on a grant. Mr. Hefton said the City wants to be sure to hire a competent person for this position.

Council Members discussed the types and amounts of grants that have been received in the past and might be applied for in the future. Mr. Hefton felt there are currently several projects which might lend themselves to grant applications. Projects that might be included are website technology and development, development of Pecan Grove Park, and the Union Pacific Railroad right-of-way.

**Public Safety Compensation Study**

Mayor Magers said the Council originally discussed the public safety compensation study on June 13, 2007 at the Budget Planning Meeting. He requested that the staff prepare an alternative public safety compensation increase that would be in the $500,000 to $600,000 range.

Mayor Magers said the alternative proposal eliminates the residence requirements for police and fire, establishes on-going reviews, and considers competitive wages based on salary review of the market, increases the number of steps in rank to provide higher salary for tenure, rewards merit and educational achievements, and increases the pay rate an average of 6% while focusing most of the increase on the "rank and file."

Mayor Magers said taking all the changes together is unheard of in most organizations. He felt it was a well thought out, overhaul of the existing payroll. He added that additional items can always be added at a later date, if needed.

As Chairman of the Committee, Mayor Magers recommended that the Council put the proposed police and fire compensation plan in place for the FY 2007-2008 Budget.

Council Member Smith felt it was not a first step, because the Council has addressed issues in the past including the increased retirement benefits last year. He felt it was another step in the right direction. He felt that over the four months that the study was compiled, there was tremendous cooperation between the City Council, the Police and Fire Chiefs, and the City staff.

The proposed plan is a compromise based on the Budget as it is now. He also recommended that the proposed plan be approved, even though he feels he is "backing up" over the plan he originally supported. He felt this was the best thing the Council could do at the present time. He added that a major part of the plan is that the Council has committed to an annual review of the situation. With that commitment, this and future City Councils will follow up and commit themselves to the annual review.

Council Member Terrence Steele thanked the Committee for their hard work on the issue. Deputy Mayor Adami reviewed the background information and said it was obvious how difficult it was to make the steps work. The proposed recommendation fits in with the Budget and allows for improvements that were identified.

City Council Members took a lunch break from 12:02 p.m. to 12:44 p.m.

**Financial Information**

**CO Bond Issue**

Mr. Hefton briefed the City Council on the use of Certificates of Obligation for debt. For governments that want to fund general projects, Certificates of Obligation are used about 80% to 90% of the time. General Obligation Bonds are used about 10% to 15% of the time.

Certificates of Obligation are similar to General Obligation Bonds, but they do not require voter approval and are not limited by statue. Cities aren't restricted on the amount of Certificates of Obligation that they can issue, but $10 million is a threshold set for banks by the Internal Revenue Service that gives them tax breaks for investment in municipal bonds, up to $10 million, to help reduce their tax bill. The $10 million is not a restriction on the amount of bonds that the City can issue, but it is the amount that the City can issue and still be "bank-qualified."

Council Member Willie Steele verified that with a petition of at lease 5% of the registered voters, citizens could bring the referendum forward for a vote.

Mr. Hefton explained that debt is ideally used for infrastructure development; parks planning, development and improvement; and for facilities construction or expansion. It should not be used for items such as playground equipment which probably doesn't have a life expectancy of more than 20 years.

Certificates of Obligation are generally secured by an ad valorem pledge so they become a part of the tax rate. There are two types of tax rate available and currently the City only uses the maintenance and operation portion at $0.40 per $100 valuation. The other type is for interest and sinking debt. If the City does issue debt there would be a reduction of $0.04 in the maintenance and operation portion and an increase of $0.04 in the interest and sinking debt. The total ad valorem tax rate would be the same, it would be allocated differently. There is no requirement that the maintenance and operation rate would be decreased, but the City is required to add the separate component to the tax rate. The City can also receive a few basis points if they pledge a secondary revenue stream.

Mr. Hefton said it takes about 60 to 75 days to issue the bonds, including the notice of intent period to money in the bank. He addressed the notice requirements that would be required to issue Certificates of Obligation.

The Council will be setting the tax rate for the upcoming year within four to six weeks, so any action with Certificates of Obligation would not change the tax rate this year. The tax rate would be changed next year, when the tax roll is certified.

Deputy Mayor Adami asked what rate and term would be used for the estimate of $750,000 in annual debt service. Mr. Hefton said $750,000 in debt service was figured using a rate between 4% and 4.5% on 20 year amortization. The amount needed from this year's Budget for issuance costs would be $75,000 to $100,000.

Mr. Hefton also presented a list of potential bond projects including Washington Street west, Lamberth Road west, Pecan Grove Park – Phase 1, Union Pacific right-of-way purchase, Brockett Street from Grand Avenue to Travis Street, Pecan Grove Park – Phase II, and the Center Street Complex.

Mr. Hefton said he felt that now was a good time for Sherman to be in the debt market, but as time goes on opportunities will be decreasing because rates are going up. The Council must decide if they want to use debt to finance some of the long term needs. Financially, Sherman is "well positioned" to be in the debt market. The City has very low leverage compared to other cities.

Mr. Hefton said the City's debt for utilities will not be shown in the City financials because that debt is actually carried through the Greater Texoma Utility Authority, but these are City obligations.

Council Member Steele asked if all bonds would be purchased the first year of if they would be purchased over several years. Mr. Hefton said the bonds would be issued initially, but the full amount of funds could be used whenever the Council wanted too. The City could also serialize the purchase of the bonds with projects scheduled accordingly. He felt that the entire amount of bonds should be issued now because interest rates are increasing.

Council Member Smith asked if it was possible to transfer money into the General Fund instead of issuing bonds to fund the proposed projects, instead of issuing so much debt. Mr. Hefton said it is possible to transfer money and pay for the projects instead of issuing debt, however there are certain reserve levels that must be met as an indicator of the City's financial health. It could be done, but probably not on an ongoing basis. The Utility Improvement Fund is very healthy.

Council Members discussed the bond issue versus the transfer of money to pay for the proposed projects.

**Sales Tax Election**
Mr. Hefton said Sherman's sales tax has been trending upward for the past few years and this would be a good time for consideration of a sales tax election. Currently the City could propose an additional 1/8% sales tax to reduce property tax, 1/8% for economic development, or 1/8% or 1/4% for street maintenance. The maximum combined sales tax that Sherman could consider is 1/4%.

The Council could consider calling a sales tax election by ordinance or citizens could petition for an election with 20% of the voters voting in the last election or by 5% of the registered voters. A sales tax election could be held on the uniform election dates in either May or November.

Mr. Hefton discussed the sales tax for street maintenance and to reduce property tax. The sales tax for street maintenance is subject to a four year sunset provision, at which time the voters can either renew it or it goes away. The tax would be effective the first of the quarter after one full quarter elapses after notification to the State Comptroller of the election results. The sales tax to reduce property tax is effective only one time each year, on October 1 after the first full quarter after the date on which the tax is passed.

Mr. Hefton said both propositions could be on the same ballot and specific wording is provided by the Comptroller. If the election fails, the City must wait one year before trying again and the taxes can be repealed by election in the same manner as adopted.

He discussed the potential effects of the sales tax saying that at FY 2008 projected sales tax revenue levels, the additional 1/8% would generate about $1 million annually. The projected effect of 1/8% on the property tax rate is a reduction of $.0575 per $100 of valuation.

Mr. Hefton said the sales tax for street maintenance can not be used for streets designated as State or Federal highways or designated County roads, and it can only be used on streets that existed at the time the tax was passed. It could not be used to construct a new thoroughfare. Council Members discussed types of projects that would be allowed.

He added that with $1 million per year, the City could fund up to 30 lane miles of mill/overlay, excluding the replacement of water and sewer utilities or base rebuilding. Currently the City schedules one mile of mill/overlay annually. Mr. Hefton said the staff would probably identify a list of streets for the proposed maintenance. He presented a sample list of projects that might be considered for the first year, however a complete listing of streets would be identified later using the street maintenance planning matrix currently being developed by the Street Department.

Mr. Hefton added that this method is a great opportunity to let everyone that uses the streets share in the cost of upkeep.

Mayor Magers said 1977 was the last time Sherman issued bonds. In a high growth, money-making period the City used capital to pay for improvements. Today the game has changed and it is smart to issue bonds to fund future critical programs. The CIP program should be used as in the past for shorter life projects and upgrades to infrastructure, such as a bathroom in a park.

The proposed street sales tax would be a tremendous opportunity for the City to fund a lot of street repairs at one time. It would sunset in four years. Sales tax is the fastest growing revenue stream. Property tax relief is also important and moving some of the revenue generation to sales tax will help Sherman in the future.

Mayor Magers felt the Council should consider a tax cut and the shifting of revenue streams from property owners to shoppers. A 1/8% sales tax equals $1 million. A one cent property tax decrease equals about $175,000. For the last five years, property tax values have increased at an annual rate of about 5%. Even though the City's property tax rate has remained at $0.40 per $100 valuation, the City has realized increased revenue from property tax because of the increase in valuation. Fifty-three percent of Sherman's sales tax is paid by citizens that live outside the City.

Mayor Magers proposed a 1/8% sales tax for street repairs with a sunset in four years, which will generate about $4 million to focus on the mill/overlay of high-traffic areas, and a 1/8% sales tax in lieu of property tax. If the voters approved both sales tax issues, he recommended that the City Council commit to reducing the property tax rate from $0.40 per $100 to $0.32 per $100, which would be a 20% across-the-board tax reduction for both businesses and residences. It will reduce the City's property tax revenues by $1.4 million but the net increase in revenue for the City for the next four years would be $600,000.

Of the $2 million increase from the sales taxes, more than 50% would be generated from non-residents of Sherman. However Sherman residents and businesses would save money on their property taxes. This is a shift in revenues from property taxes to sales taxes. He felt that Sherman would also need to consider long-term bonds for long-term projects.

Council Member Wacker expressed concern about the continued property tax reduction after the street sales tax goes away in four years. She felt this would cause lost revenue in future years. Mayor Magers said at a 5% appreciation rate, the City will be back to the same revenue in four years. She questioned whether the State will pass any caps on the appreciation of property values. Mayor Magers said that assumption is based on no property value increases in four years and the fact that sales tax revenue would increase.

Council Member Wacker asked to see scenarios as to where the City will be in four years if the sales and property tax revenue continue to grow at a specific rate, if it stays flat, and if the sales and property tax revenue is reduced. Council Members discussed what might happen to tax revenue under various conditions.

Council Member Smith said ultimately the citizens will be the ones to vote it in or out. The Council can make the proposal and hold town hall meetings to get input, but in the end, the citizens will decide.

Council Member Wacker said she was a proponent of increasing the sales tax and would prefer increasing the sales tax in a way that doesn't end in four years. Council Members discussed the possibility of one sales tax passing and one not passing and how this would effect the Council's commitment to reduce the property tax rate even farther. Deputy Mayor Adami also expressed concern about a future down turn in the economy.

Council Member Willie Steele felt that the projects that are planned for the infrastructure will increase the receipt of sale tax in the future. This is an investment to increase the sales tax revenue.

Council Member Smith said the Council would not consider the additional property tax decrease until the voters have spoken. This gives citizens an opportunity to make a decision about their property taxes and whether or not they want to spread the cost of these projects out to non-residents that shop in Sherman. The ultimate decision is up to the citizens.

Mayor Magers said Sherman is growing and has long-term needs that will be bonded with long-term debt. On the revenue side, he felt that the Council was trying to shift part of the burden from the backs of property owners to the fastest growing revenue stream the City has, which is sales tax.

Deputy Mayor Adami said the Council needs to determine how much can actually be done in that four years to make sure that the proposed projects are accomplished. Council Member Wacker said once the funds are collected, they can be spent to get the projects done, regardless of how long it takes.

Council Members agreed that there should be a specific plan developed to present to citizens prior to the election.

Mayor Magers said the plan should be considered as a complete package which includes bonding for future growth, with that future growth bringing infrastructure to the west side of town, taking water/and sewer to the north and west boundaries, looking at existing infrastructure that needs to be repaired, and shifting more of the revenue from property tax to sales tax.

City Council Members took a break from 1:56 p.m. to 2:07 p.m.

**Presentations by Supporting Entities**

**DSP&R / Main Street**

Deron McGraw, Director of Downtown Sherman Preservation and Revitalization, presented the organization's proposed budget for use of funding from Hotel/Motel Tax. The $20,000 that DSP&R requests from the City of Sherman goes toward a portion of Mr. McGraw's salary.

They sponsor several community events such as the Snowflake Festival, the Wine and Music Festival, Frontier Days, the Veteran's Day Parade, and the Fourth Saturday Open Air Market. Their contract with the City states that they will sponsor a minimum of four events annually. He felt that DSP&R has added consistency and that helps establish quality events.

DSP&R generates some funds of their own including $7,850 in dues this past year, which was an increase over the $7,650 in 2006 and the $3,700 in 2005; and $13,850 in sponsorships, which was an increase from $6,500 in 2006 and $0 in 2005.

He added that DSP&R works with the Tourism Department and helps staff the Visitor's Center. They have also provided recommendations for projects for the Tax Increment Financing funds.

Mr. Hefton presented a summary of the receipts and expenses for the Hotel/Motel Tax Fund.

**Tourism**

Shawnda Rains, Tourism Director, presented the proposed budget for the Tourism Department. The Visitor's Center operates five days each week and handles telephone calls and walk-in visitors. The Tourism Department also hosts, funds, or supports several events, including Hot Summer Nights, and entries for the Grayson County Fair, or the Open Air Market.

She outlined some of the marketing tools that are used and groups that visited Sherman during the past year. Ms. Rains outlined the goals for 2007-2008 and added that they have requested an increase in the proposed Budget. Programs, advertising, and marketing are the main areas that will be increased.

Ms. Rains said the Tourism Department now has the tools in place and they want to expand on that and work to attract small market meetings. She also outlined other publications and guides that she wants to design. She felt that with Sherman's limitations, the small market meetings would be a good match for the community.

Council Member Willie Steele asked about the tourism grants that were available for events. Ms. Rains explained that originally there was grant money available for organizations, but everyone had to apply for a $5,000 grant. Last year the amount available was decreased. The tourism grants fund activities like the International Aerobatics event and the Sherman Invitational Basketball Tournament. The event organizers must apply for the grant and must meet some specific criteria. Ms. Rains said this year she would like to have stricter criteria and guidelines that outline the number of visitors that will stay in hotels before the money is available to event organizers.

Council Member Smith asked if there was money left over from the Main Street program. Ms. Rains said she was told there was money left. She added that the website also needs to be revamped and should be more user friendly. Mr. McGraw said there is money that was not used for Main Street and at one point the City and DSP&R felt it could be used for enhancement of the website.

Council Member Smith asked about the $10,000 that was proposed for billboards. Ms. Rains said it will cost $3,500 to $5,000 to locate a billboard that announced that visitors are entering Sherman. Currently there are no billboards that advertise the entrance to Sherman or what is available in the community. The $10,000 includes the non-profit rate from Lamar Advertising and the location of billboards in other cities to advertise Sherman.

Mayor Magers confirmed that Ms. Rains is requesting $272,225 for the FY 2007-2008 Tourism Department Budget.

**Museum**
Marcia Rolbiecki, Red River Historical Museum Director, presented the budget request for the Museum. Council Member Wacker outlined an endowment program where Austin College received a grant through the Irwin Smith Foundation to endow student interns to work at the Museum.

Ms. Rolbiecki said that since the Museum reopened in 2002, they have made many improvements to the physical plant that was possible through funding from the City of Sherman. They also sponsor fundraisers to help support the Museum. Visitation has increased annually and at the end of 2006, they had 2,768 visitors, and year to date from October 2006 to yesterday, they have had 1,800 visitors. At the City's request, they are also keeping a log of visitors that actually stay in a hotel while in Sherman.

At the end of 2005, when they took ownership of the building, they began a capital improvement account to facilitate the construction of an elevator. Currently the account holds $63,000 for the project. With the Hotel/Motel funding to help with Museum operations, they are able to raise additional funds for the elevator project.

The Red River Historical Museum is requesting $85,000 from the City of Sherman's Hotel/Motel Tax Fund.

**SCAH**

Larry Wall, President of the Sherman Council for the Arts and Humanities, was unable to attend the meeting so Mr. Hefton presented their request for Hotel/Motel Tax Funding. During the last fiscal year there were 42,000 attendants at the various events from organizations under the SCAH "umbrella." The organization supports multiple groups including Sherman Community Players Theatricks, Sherman Musical Arts, Community Series, and Friends of the Red River Historical Museum. Mr. Hefton added that the money designated for the Red River Historical Museum is not used for operational expenses but for specific events or displays.

The minimum grant through SCAH is $1,200 and the maximum grant is $5,000. SCAH encourages these small organizations, who otherwise have very little means of funding, to raise their own funds for support, and then SCAH supplements their funding. SCAH also sponsors activities which are not supported through the City's funding including Arts Festival.

The total funding request from SCAH for FY 2007-2008 is $35,671.

City Council Members took a break from 2:36 p.m. to 2:50 p.m.

**<u>Fund Summaries and Balancing</u>**

**Hotel/Motel Tax Fund**

Mr. Hefton said the Hotel/Motel Tax Fund is not balanced on an ongoing basis. There is an ongoing revenue stream of $530,000 and there are requests for $573,000, which leaves a "missed balance" of $45,000.

The current fund balance is almost $145,000 and Mr. Hefton felt that was too much and could be much less. The debt service for the Auditorium and Ballroom are required to be paid first from this fund. The bonds were refunded in 2006 which cut in half the debt service requirements for the next year or two. Deputy Mayor Adami confirmed that the original debt was for 20 years.

He outlined items that are included in the fund and their budget requests for the upcoming year. Mr. Hefton added that since the fund balance is so high, the Council could grant the budget requests and use additional funds from the fund balance. This scenario could happen for three years at most, before the fund balance would be depleted.

Mr. Hefton said generally a benchmark of 60 days worth of fund balance would indicate a healthy fund, so a $100,000 fund balance in the Hotel/Motel Tax Fund would be reasonable. He felt it might even be less for this fund.

Council Member Smith asked why the Council didn't have an Arts Council Director that oversees all the programs. Council Member Wacker agreed that she would like to see the efficiencies that could be obtained from a City department head over these organizations. They discussed combining DSP&R, Tourism, and SCAH under one entity, headed by a City employee.

Council Member Wacker said they have previously discussed marketing the City and the need for a public information officer, and she asked if a marketing and tourism person could be hired to fill several of these duties and offer oversight to these organizations. She felt some of these items could be combined and become more efficient for the City.

Mr. Olson said the staff can pursue a plan for marketing and managing the downtown area as well as the Ballroom and Auditorium. Mayor Magers asked if the Council wanted to task the City staff with putting a plan together to present a solution, with no names attached, that would combine the organizations and activities. Council Members asked for the plan by the end of the calendar year. Council Member Smith asked for options on how the Council could “fix” the problem.

Council Member Smith said he did not want to run the budget at a deficit even if the fund balance needs to be reduced. Council Member Steele recommended that the fund balance be reduced. Mayor Magers suggested leaving the budget as it is and putting a plan together by December 31, 2007. The plan could be implemented at a later date, even with the following budget year.

Mr. Hefton confirmed that the money paid to the organizations through the Hotel/Motel Tax Fund is paid periodically throughout the year and not all at once on October 1 when the budget goes into effect.

Council Members discussed the fund balance and the deficit to determine how they wanted to handle the requests for funding. Council Member Smith expressed concern that the Tourism Department budget request was an increase of $70,000 over last year. They also discussed reducing the fund balance to $100,000.

Council Member Terrence Steele was concerned that Hotel/Motel Tax was used to pay the debt service on the Auditorium renovation and the Ballroom events generally did not bring visitors in to stay at the hotels.

Deputy Mayor Adami and Council Member Wacker both felt that the money for billboards could be cut from the budget. Council Member Smith recommended the following specific reductions in the Tourism Department budget: $10,000 from website; $5,000 from sports/athletic; $5,000 from unexpected opportunities; $1,500 from hospitality; $5,000 from print media; $10,000 from billboards; and $6,000 from brochures. He recommended total reductions of $42,500 which would bring the requested amounts close to the budget for the Hotel/Motel Tax Fund.

SCAH has indicated they would reduce their request by $2,500. Council Member Wacker said the Museum revenue exceeds their expenditures and she felt their request should be reduced by $2,500 to make it a balanced budget.

Council Member Wacker felt that the Tourism website did need to be revamped, however she recognized that it probably should be done in conjunction with the City’s website. If the money for Main Street is left over, then the Council felt it could be used for the website. Mr. Hefton said if the money was budgeted but not used, appropriations lapse at the end of the year if they aren’t spent. However if the money was actually paid to DSP&R but not spent, then it should still be in their bank account. The staff will determine which scenario applies to the $10,000.

Council Member Wacker still felt the Hotel/Motel Tax Fund balance should be reduced to $100,000. Deputy Mayor Adami wanted to address a better plan for management of the entities that receive funding from the Hotel/Motel Tax Fund. After verification, Mr. Hefton said the $10,000 that was allocated for Main Street is still in their budget allocation but has not been paid to DSP&R.

**General Fund**

Mr. Hefton said in the General Fund the staff is requesting an increase in the three primary revenue line items, property taxes (4% to 5%) and sales taxes (2.5%). There are no proposed new programs for revenues.

There are new programs for expenditures including the police and fire compensation study ($563,000), Reverse 911 ($18,000), Texoma Parkway Median Landscaping ($6,000), Plan Scanning for Engineering ($10,000), and a 2% Across-the-Board Wage Increase ($350,000).

Mr. Hefton outlined a proposed 2% across-the-board wage increase and introduced a program to evaluate the performance of employees and recognize those that are wanting to excel and are consistently exceeding expectations for performance. He and Mr. Olson requested ½ of 1% to give merit or performance based wage increases. This program would apply only to non-civil service employees since they have their own incentive and certification pay.

Mr. Hefton said the proposed budget leaves the General Fund “generally balanced.” There is also a $1 million transfer from the General Fund to the General Improvement Fund for CIP Projects. This also allows for a transfer of $750,000 for debt service for the Certificates of Obligation. This budget does not include the proposed request for the part-time grant writer.

**Utility Fund**
Mr. Hefton said the Utility Fund is also balanced. The proposed rate increase was from City Council action last year when they decided to cut the increase in half and spread it over two years.

The only new revenue program for the Utility Fund is the 1/6% Rate Increase that was carried over from last year ($287,000). New expenditure programs for the Utility Fund include 2% Across-the-Board Wage Increase ($83,993), Utility Billing Clerk to Full Time ($22,999), and Certification and Incentive Pay Updates ($15,318).

The Utility Fund is balanced and includes a transfer to the General Fund of $1.5 million and a transfer to the Utility Improvement Fund for CIP projects of $1 million. The Utility Fund has a healthy fund balance.

**Solid Waste Fund**
Mr. Hefton said the staff is proposing a 3% increase in commercial solid waste rates for a total revenue increase of $90,000. The program has been in operation for five years without any type of rate increase. The 3% would slow down the widening gap between inflation and the City’s revenue. Mayor Magers added that the Texoma Area Solid Waste Landfill did not increase their rates this year and have never had a rate increase.

The Solid Waste Fund has a transfer to the General Improvement CIP Fund of $1.1 million to get rid of an excess fund balance of $865,431. That sill leaves $348,421 over the target fund balance. Originally in FY 1999-2000, $1 million was taken from the General Improvement Fund for the start-up of the commercial solid waste service. These transfers are repaying that fund for the seed money for the commercial solid waste program.

New expenditure programs include the 2% Across-the-Board Wage Increase ($40,192), a Brush Truck Operator ($46,192), Pay Adjustments ($13,592), and a Brush Truck ($118,500). The Council changed the Brush Truck Program to consider buying two trucks and keeping the same number of personnel.

Mr. Hefton explained that until about three or four years ago, the City paid for “large ticket” items such as fire trucks and road graders with money from the reserves. Then the Council changed their philosophy and decided to finance these items with debt service.

Mr. Hefton added that in all funds he has attempted to draw the fund balance down close to the target amount.

City Council Members took a break from 4:14 p.m. to 4:27 p.m.

**CIP Review**

**General Improvement Fund (CIP)**

Mr. Hefton said the General Improvement Fund is funded generally through transfers from the General Fund ($1 million) but this year there is also a transfer from the Solid Waste Fund ($600,000). The ending fund balance is $984,057. The first year of potential bond funded projects amounts to $2.4 million.

**Utility Improvement Fund (CIP)**

Mr. Hefton said the Utility Improvement Fund is funded generally through transfers from the Utility Fund. This gives about $6.9 million from reserves. The proposal lists $2.6 million in projects from reserves. Ending fund balance is $3.9 million.

Mr. Hefton said there is no target fund balance for these funds since they are non-operating funds and they should be depleted before debt is issued. He added that the City could decrease the amount funded by the Greater Texoma Utility Authority debt or use the money for expected large scale projects that will be needed in the next couple of years.

Council Member Wacker said several relief sewers will be needed as Sherman grows. She recommended leaving the reserves until the Comprehensive Master Plan determines what will be needed for growth.

Mr. Hefton presented a list of potential bond projects for the first two years, which amount to $10.3 million. The first year projects include Pecan Grove Park – Phase I, Union Pacific ROW Purchase, and Brockett Street from Grand to Travis, for a total package of $2.5 million.

Mr. Hefton outlined the first year of proposed General Improvement and Utility Improvement CIP Projects. Mayor Magers verified that the proposed project for aerial and topographic map updates is not a duplication of similar efforts by Grayson County or the Appraisal District. Mr. Hefton said the staff will make sure that there is no duplication of efforts and will look for ways to share costs with other entities.

Council Members decided to consider not rebuilding the Starlight Meadows Addition alley at a cost of $515,000. Homeowners must use the alley for solid waste service and trucks have torn it up.

Mayor Magers asked about repairs needed at the Library. Mr. Olson explained that repairs are needed to the newest part of the building because it is sinking. The parking lot repairs have been requested for the last three years because it holds water and the sidewalk is sinking and is becoming a hazard to citizens entering the Library. Mayor Magers was concerned that repairs would be made to the Library and then a “regional Library” would be constructed for the entire area.

Mayor Magers asked about the smaller funds that the City uses and the excess fund balances that are held in each. Mr. Hefton said most have restricted fund balances that are either externally restricted by State statue or some other agreement. There are others that are internally restricted by agreements. There is a third group of four or five funds that do not have restricted fund balances and could be transferred out for other uses.

Council Member Wacker verified that the only water deposits that are currently held on file are for the commercial accounts. Residential water account deposits have already been refunded to citizens. Mr. Hefton added that all excess fund balances are invested and earning interest.

Council direction will be given to the staff at tomorrows meeting.

**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 5:03 p.m. and meet July 13, 2007 at 8:00 a.m. for further consideration of the Annual Budget. Documentation for the Budget Work Session is held in the General File "Budget Work Sessions FY 2007-2008" in the City Clerk's Office.

________________________________
MAYOR

ATTEST

________________________________
CITY CLERK