

STATE OF TEXAS §

June 25, 2015

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 June 25, 2015.

MEMBERS PRESENT: Mayor Cary Wacker; Deputy Mayor David Plyler.
Council Members Davis, Johnson, Sofey, Steele, Watt.

MEMBERS ABSENT: None.

STAFF PRESENT: Robby Hefton, City Manager; Brandon Shelby, City Attorney; Otis Henry, Police Chief; Don Keene, Director of Administration and Finance; Steve Ayers, Director of Community and Support Services; Mark Gibson, Director of Utilities; Scott Shadden, Director of Development Services; Clay Barnett, Director of Public Works and Engineering; Bob Fair, Assistant Police Chief; Stephen Dean, Assistant Police Chief; Jamie Baggs, Fire Marshal; Dan Wood, Fire Division Chief; Lisa Whitfield, Development Coordinator; Mary Lawrence, Director of Finance; Kevin Winkler, Parks and Recreation Director; Clint Philpott, City Engineer; Craig Long, Budget Analyst; Tammy Davis, Controller; Jim Cross, Assistant Public Works Director; Pam Cloer, Assistant to the City Manager; and Linda Ashby, City Clerk.

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

2015-2016 BUDGET REVIEW

ADJOURNMENT

CALL TO ORDER, QUORUM DETERMINED, MEETING DECLARED OPEN

Mayor Wacker called the meeting to order at 8:30 a.m., declared a quorum present, and opened the meeting.

She said this year you can see noticeable changes in Sherman and evidence of the decisions that have been made by the City Council and throughout the community. Mayor Wacker said she is proud of the work that the staff has done and that the City Council has done in thinking ahead for the future.

She said Robby Hefton, City Manager, and his team have a great presentation on initiatives that were started and things that are coming up. Some of the new things that will be discussed for approval will set the stage for the future.

OPENING COMMENTS

Mr. Hefton said it is a good time to be a part of the City and there are many positive things to talk about today. He led the Council Members and staff in prayer prior to the beginning of the discussion.

He said it has been busy these last several months and he discussed items that were currently in process. In addition to the normal daily activities, the staff has been very busy with the weather

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and all things related to that. The City is still repairing the damage caused by the flooding and many of the projects and normal operations are either on hold or deferred until next year. Street maintenance is one of those. Normally by this time, after several months of preparation, the staff would be in the middle of the chip seal program.

The City has not even been able to prepare the surface because of all the water. Only a selected amount of the project will be completed this year, even though this is a very high priority of the City. He said that in addition to the routine street maintenance items, the City has sink holes, potholes, and roads that are failing, and has really been a challenge this year.

There is a tremendous amount of development activity in all areas of town. For example, on the July 6, 2015 City Council Agenda, the Panda Water Agreement will be listed for their second phase. The Tax Abatement Committee will also meet soon to discuss a tax abatement for Panda Energy for their second phase.

Discussions are being held for the development of the northwest corner of US Hwy 75 and FM 1417. Construction has also begun on the new Wal-Mart Market on FM 1417. Mr. Hefton said there is “hundreds of millions of dollars” in new investment that is in the pipeline now for Sherman.

The City is in the process of expanding the Water Treatment Plant and Mr. Hefton said he has a meeting to discuss the treatment and transportation of water to high growth communities in north Collin and south Grayson Counties. He said there is interest from the cities as well as the North Texas Municipal Water District who serves those cities.

The City is wrapping up the street sales tax program for the current cycle and will include the reauthorization of the tax on the November 2015 ballot. Mr. Hefton said the staff is also making some changes for space utilization, which will be discussed later in the meeting.

Mr. Hefton said the City is also planning for the growth management and development along FM 1417, including development, transportation, and planning the path of the corridors. Residential development continues to grow in O’Hanlon, Austin Landing, and various infill areas. Lots are being purchased and cleared, with new investment taking place.

The staff is also working on various ordinance updates, such as for livestock, smoking, liquefied petroleum gas, and development. The Water Treatment Plant expansion is moving forward and is one of many utility projects. The City will be adding a new elevated storage tank and there are various Wastewater Treatment Plant and sewer projects.

Mr. Hefton also addressed staffing changes saying the new management team has been constructed. He said there is an amazing group of staff members and he is humbled to be a part of it.

2015-2016 BUDGET REVIEW

Development Planning

Clay Barnett, Director of Public Works and Engineering, discussed development planning with the City Council. One of the tools for development planning is the Comprehensive Master Plan. After numerous meetings, discussions, and public forums, the Master Plan was approved by the City Council in July of 2009.

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The purpose of a Master Plan is to lay out the “big picture” and consider how the Council would like development of the entire City to proceed. It assesses the near and long term goals for development. There were nine essential goals that were determined from the study.

The first goal of the Master Plan was to update and enhance development regulations. The first steps were approving the Blalock Overlay District, irrigation ordinance, and updating the oil and gas specific use permit requirements. This current year the staff is looking to update and enhance the flood plain and subdivision ordinances, create engineering standards, update the transportation plan, and complete the Heritage Parkway Corridor Study.

There are two future goals that the staff will focus on in the future. These are updating and enhancing the zoning ordinances and the creation of a Hwy 289 Overlay District.

Kimley-Horn has started collecting information for the FM 1417 Corridor Study. They are looking at how to connect from Taylor Street to SH 289. Major thoroughfares are generally on one to one-and-a-half mile segments. There is approximately two to three miles between SH 56 and US Hwy 82. Therefore another major thoroughfare is needed between those roadways and Taylor Street is the “break even” point.

Kimley-Horn is also studying the FM 1417 Overlay District. The staff has asked them to review this District and make sure there is nothing that needs to be brought up to City standards. They will also address the boundary of the District, what buildings should look like in the District, landscaping, and signage. As soon as the study is complete, it will be presented to the City Council.

The third highest priority in the Master Plan was storm drainage studies and planning, which were in part, a result of the 2007 flooding. The Post Oak Creek Flood Protection Planning Project was completed. The City had a chance to partner with the City of Denison on large erosion problems with the Ellsworth Branch Flood Study. The majority of the drainage area is inside the City of Sherman and actually goes under the Fallon Drive Bridge. This item will be included in the Capital Improvement Program that will be presented later in the meeting.

Another project is to update the subdivision and floodplain ordinances. This project was identified in the Master Plan and was also included as a goal in the Storm Drainage Design Protection Plan. The other project is to create engineering standards.

Future projects are to update and enhance the zoning ordinances, implement a creek maintenance program, participate in the community rating system, and update floodplain mapping.

The project to update the floodplain mapping is a project that is needed to correct what the City can limit from building in the floodplain. Currently there are areas where homes could be built in the creek and there is no ordinance to prevent it. Mr. Barnett said the City is not able to include any of the structural projects in this year's CIP.

With the recent presidential declaration, the City is looking at FEMA grants to acquire some floodplain property at no cost to the City.

Mr. Barnett said one of the funding sources that was identified last year for these projects was the stormwater utility fee. The staff is not recommending that the fee be implemented at this time, but will review that possibility next year. Many of the drainage improvements could be funded out of a stormwater utility fee as opposed to the general budget.

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The revitalization of older neighborhoods is mainly accomplished from ad valorem property tax abatements. This is a good program where an owner obtains a tax abatement on a piece of property that generally doesn't have a house on it. The investment drives the neighbors to bring their homes up to code and creates a nice environment for revitalization.

The staff also completed street enhancements on Brockett, Taylor, and Travis Streets. This encourages citizens to take better care of their homes. A neighborhood revitalization pilot program was also completed a couple of years ago where Fielder Park was upgraded, streets were chip-sealed, and signs were updated, which in turn encouraged citizens to upgrade the homes in that area.

Current goals include substandard structures and street enhancements at Walnut and Willow Streets. Mr. Barnett said Walnut and Willow Streets were in this year's CIP, but with the damage from the weather, they would probably be delayed until next year. The street sales tax is also a current goal and will be discussed later in the meeting.

Another goal from the Master Plan was the maintenance and enhancement initiative for existing parks. The past accomplishments include the Old Settlers Park improvements, Martin Luther King Park improvements, the construction of Pecan Grove Park, and the upgrade of Fielder Park. The current goal is the Taylor Street Sports Complex.

Annexations are completed as warranted and the main goal of the Master Plan was the SH 289 and Washington Street annexation.

The City continues to invest in the downtown development and revitalization and the Travis Street water line was replaced several years ago. A downtown district was also created, but the most recent investment was the Downtown Sherman Streetscape Project. The project included "islands" at the corners and changed the traffic flow to make it easier to move around. Illuminated street name signs were also installed.

For this year, the downtown goals include the next phase of the Downtown Sherman Streetscape Project and downtown sidewalk improvements. By making the City's infrastructure look better, it incentivizes private property owners to make their property look better too.

In conjunction with the Sherman-Denison Metropolitan Planning Organization, the City was able to incorporate a bike and pedestrian plan. This is one way to use strategic partnerships to accomplish the City's goals as well.

The City has applied for a grant from the Texas Department of Transportation for bike lanes. Cost of the project is approximately \$600,000, with Sherman's out-of-pocket being \$150,000. The project would add off-road bike lanes on SH 56 as concrete paths so residents could walk or bike to Austin College and to Sherman High School from the west side of town. The project is dependent on receiving the TxDOT grant.

Mr. Hefton informed the City Council that, with all the rain, the City has several areas of street where the underlying area has washed away and a sinkhole has developed. The sinkhole on Travis Street will actually be repaired in-house.

He explained that bids were sent out on an emergency basis, and until recently only one response was received from the six bid packets. The bid was \$400,000, mainly because the fill underneath was sand and would be hard to work with. Mr. Hefton said the staff has decided to

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complete the repair in-house with crews from the Street Department and the Utility Maintenance Department.

The staff feels like it can complete the project more timely and more cost efficiently than an outside contractor and could coordinate better for protection, movement, and repair of the water and sewer lines. Since there are a number of projects that have been contracted out, the City may expand the line crew and tackle some of those in-house. The City does not want to be in the construction business, but they can install water and sewer lines, and storm drainage lines, where possible. He said the effluent line might be another example of a project that could be completed in-house. The City crews installed an 18-inch water line last year to Panda Energy for a secondary source for water.

Mr. Hefton said if the City can save money by doing some projects in-house and can use that savings to purchase some heavy equipment that could be used for the projects as well as other larger projects, it would be a cost savings to the City.

From a financial standpoint, Mr. Hefton said the City did not budget for sinkholes or for Kessler Street “falling off” into the creek. Fund balance can be used for these types of projects. However, he said, at this time the staff doesn’t know what the extent of the damage will be. Hopefully there will be some funding by FEMA or by the State of Texas. There is a challenge for this budget as to how these projects will be paid for, and he said it could easily be in excess of \$1 million. Some of the projects maybe partially funded or zero funded by outside sources. These quickly “eat up” fund balances. Mr. Hefton said we aren’t in any financial danger because the City does have healthy fund balances.

As the budget is developed, and in the next year perhaps, the City will need to look at a stormwater utility fee that would help fund projects such as this. It is possible that the damage from this flooding will not surface for several months. The damage that is seen today, won’t be all that the City will have to deal with. There are some uncertainties, but the staff will present a plan for Council consideration at a later date.

Code Enforcement / Substandard Structures

Mr. Hefton addressed the substandard structure program, which is designed to promote a cleaner, safer Sherman. The staff hopes to partner with property owners, especially on vacant property. The goal is not to relocate people, but to work with property owners for vacant property. Hopefully the program will promote infill development, increase the surrounding property values, and enhance the health and safety of the community.

He outlined the goals of the program especially for a cleaner City and to promote infill development. He said the voluntary nature of the program would be more timely and efficient. The old process was very lengthy and was a compliance and legal situation, before the work was actually completed.

The City of Gainesville had a lot of success with a voluntary program and reduced the lengthy timeframe from months to a week. The proposed program is voluntary from property owners. The City will use salvage vendors to lower the cost where possible. Community Development Block Grant funding will be leveraged with General Fund money. The residential tax abatement program can also be used to encourage redevelopment.

Council Member Watt asked if the process in Gainesville was reduced for property owners not wanting to use the voluntary program. Mr. Hefton said they have, but so many property owners are taking advantage of the program, they haven’t had to deal with the other yet. They have all they can handle.

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Mr. Hefton said he is still trying to work with the salvage vendor, but the program is not dependent on using him. That would just “stretch” the City’s dollars for the program. He said there is money in the 2016 Budget that they are proposing to use, and additional funding is available through the CDBG program. Using CDBG money dictates that the program must be used in a low-to-moderate income area, which is typically east of US Hwy 75. Additional money is in the General Fund for properties that are not in the target areas.

Council Member Davis asked about the process. Mr. Hefton said the City would get a release from the property owner to demolish the structure. The property owner would keep the property and there would be no liens placed on the property. They get a developable lot that already has water and sewer available. Even if the property owner doesn’t rebuild or reinvest, they are able to sell it to a developer. The City will get a cleaner lot and in many cases new development.

Council Member Steele asked about a property that might have asbestos. Council Member Sofey said that’s only on commercial property, There are no asbestos requirements on residential property for Federal or State. Mr. Hefton said the City plans to begin with residential property.

Council Member Steele asked if they did remove a commercial building and there was asbestos, would the City pay for the abatement. Mr. Hefton said it would probably be a shared responsibility. He said it would significantly increase the cost of the removal if asbestos abatement was required. He hoped this would be the first year of a several year project.

Mr. Hefton said the City typically tears down four or five houses in a year, but with this program they might be able to remove 15 to 20 houses. Council Member Sofey verified that through the Gainesville program, the cost of removal of one house is between \$800 and \$1,000. Mayor Wacker said the cost is so low because they are salvaging the materials from the house. Mr. Hefton said if they salvage some of the architectural items they could demolish even more houses. He said currently the City pays \$3,000 to \$4,000 per house to demolish today.

After the demolition, Mr. Hefton said the City could continue to promote the residential tax abatement program to encourage redevelopment. He outlined the benefits of the voluntary compliance program, adding that he felt it would be better received by the community.

He said the program also supports the stormwater management initiatives by the purchase of properties in the floodplain. He felt there would be some opportunities for the City to purchase these properties that flood.

Mayor Wacker thanked the staff for the SH 56 clean-up initiative, which was in line with the Keep Sherman Beautiful Commission’s Great Sherman Trash-Off. That is a major corridor through the downtown area and to the high school.

Council Member Watt asked if the City had to wait until the new fiscal year in October to begin this program. Mr. Hefton said it would be no problem to begin early, especially with marketing and promotion of the program. The City Council was interested in moving forward now with the initiative for the voluntary substandard structure program.

Mr. Hefton said the program is not dependent on working with this one salvage vendor. Mayor Wacker said she wanted to roll the program out “well branded” and with everything in place. She wanted a successful kick-off to the program. Mr. Hefton agreed that marketing would be a key to the success of the story.

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Mr. Hefton discussed ways to identify a substandard structure, adding that these would be “drive-by assessments,” which staff are doing now. Inactive utility accounts could be vacant lots instead of substandard structures.

He outlined the timeline for the program, adding that the staff has already been identifying potential candidate properties. This works well since the Council wants to begin the program now. They will develop a list of target properties to work over the next few years. He said occupied properties in the floodway may need to be dealt with differently and some City money might need to be used to purchase them.

Mr. Hefton said the staff goal is to be done with the list by the end of the summer. Council Member Watt felt it would be good to do the “front-end leg work” prior to October 2015, when the money is there to remove the structures. Then the staff would be ready to remove structures when the money becomes available.

Geographic Information System (GIS)

Mr. Barnett presented information on the Geographic Information System, which is mapping software with a database behind it for any geographic information desired. He discussed the various applications of GIS, saying that the Sherman Economic Development Corporation is their biggest customer. The system is used for things such as locating water and sewer lines, for sex offender restriction maps, for 911 service, and for road condition maps, sign location and conditions. He said the City gets approximately 8,000 “hits” per year on the website for GIS information. This amounts to 21 citizens per day that use the GIS website to locate something in the City.

Mr. Barnett said in 2008 a consultant helped the City develop a seven year GIS plan that they are still working through. They purchased the software, set up a control network, completed aerial photographs and contours, and began scanning the water, sewer, and storm drainage plans to enter them into the GIS. He demonstrated the information that could be obtained from the GIS system in a development scenario.

In the 2009 Comprehensive Master Plan, the GIS system was identified as priority #2. Auto CAD upgrades were completed and a large format plotter was purchased. The staff also began storm water mapping. In 2010, GPS equipment was purchased, zoning maps were completed and an Arc Enterprise Server was purchased, which allows the City to “push” the information out to the website. In 2012 a plan scanning project was completed.

From 2013 to 2015, the Sherman Economic Development Corporation gave \$200,000 for three years for the development of the GIS system. This helped pay for projects such as configuring the GIS system, data cleanup, a GIS software upgrade, GPS equipment upgrade, and setting up the web map and making the GIS available on mobile devices.

Mr. Barnett said one problem is that there is currently no one on staff that can handle the technology side of the GIS. The database is very intricate and hard to explain. It has its own server and has special attributes that are required. The City needs to have someone on staff to provide support so the system will function as it should. Up to now, the services were provided by contracting out the jobs. Many things are beyond the staff's capabilities.

He said the staff hoped to also use the mapping system for in-house design projects such as the sinkhole on Travis Street. He demonstrated the Internet version of the GIS system on the City's

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website. Many layers that are available to specific City departments are not available to the general public on the Internet.

The current GIS contracts include the sanitary sewer mapping, the water system mapping, and the drainage system mapping. To date, the total investment is approximately \$932,000.

He outlined the future contract needs including updated aerial photography with better resolution, a crime mapping application used to predict crime in an area, and route design and optimization, which was requested by the Utility Billing and Solid Waste Departments.

Mr. Barnett said the staff recommendation is to hire a GIS Manager to oversee the completion of the programs in progress, to oversee completion of future programs, and to manage and maintain the data. He discussed the specific projects in each category. Current programs in progress include adding property attributes, annexations, traffic control inventory, water meter locations, and 911 address services for the Police Department. He said more data will be added as Sherman grows and the proposed GIS Manager would be involved in the future development. He also thanked SEDCO for their \$600,000 contribution to the GIS system.

Mr. Hefton said the request for the proposed GIS Manager is funded and included in the 2016 Budget.

City Council Members took a break from 10:17 a.m. to 10:36 a.m.

Utilities

Mark Gibson, Director of Utilities, briefed the City Council on utility projects, saying that the City was in a good position for the future. He outlined the upcoming projects.

The City replaced the UV Disinfection System at the Wastewater Treatment Plant and no longer uses chlorine. The new system has been installed and kills the bacteria in the water with ultraviolet lights. In the old system, an operator would need to clean each tube by hand, but the new system features a “squeegee” to clean the tubes. The operators are continually upgrading themselves to keep up with changes in the equipment.

A new sewer line, the Sand Creek Sewer, North Branch, is being installed from Washington Street to SH 289. The project is four miles long and is requiring the contractor to chisel through seven or eight foot of solid rock. They are also dealing with the wet weather, erosion, and clearing “a jungle” to complete the work. The project is very slow and has suffered delays.

The Eastside Outfall Return Sewer is on the east side of Sherman and is a gravity sewer line coming out of a force main. A portion of the project was completed with City workers, but the rest will be completed through a contractor. The project is located east of the Municipal Airport.

The South Sherman Relief Sewer is related to the Eastside Outfall project and is a major trunk sewer to the Wastewater Treatment Plant. There was a cave-in or failure at the Wastewater Treatment Plant on that major trunk line, which is one reason the City is proceeding with the project. Mr. Hefton said the bids received for the project were in the \$1.6 million range.

Another project is for the Sears Lift Station Relief Sewer that enters the El Dorado Mobile Home Park on Texoma Parkway. All sewer from Texoma Parkway enters this lift station and is pumped back to the Eastside Outfall. The plan is to eliminate this old lift station. A sewer line will be laid from the lift station to US Hwy 75 and FM 691, where the new lift station is located and pumped back to the Wastewater Treatment Plant.

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The Sears Lift Station was constructed in the 1960's and is old, unsafe, and a very confined space. A wall surrounding the lift station had to be constructed to keep the creek out when it overflows. Mr. Gibson said the lift station needs to be replaced.

The next project is the industrial sewer in south Sherman that will be financed by SEDCO. He showed a map of the existing sewer, which runs in a route back to the Wastewater Treatment Plant. Tyson is having problems when they clean their plant and put a lot of water into the system at one time. It is backing up on them. The City met with SEDCO and created a project to relieve the problems at Tyson and some other problems along the line. It will also create additional capacity for SEDCO to use and bring in additional industry into the industrial park.

The project will include rebuilding a trunk line and using a sewer line going to MEMC rather than using the deteriorated sewer line. The older line will be abandoned in place. Plans have been completed and the staff will begin working on easements. Once that's done they will be ready to bid the project.

There is also a project to replace the Wastewater Treatment Plant Headworks Lift Station and complete an electrical upgrade. All sewage in the City goes to a pump station at the plant and is lifted up to begin the gravity flow through the plant. There are six pumps that pump the waste up. This is a very corrosive environment. Since the pumps cannot be shut down, the project will replace the headworks structure and pumps, and install a new electric substation to meet the increased power demand.

The biosolids is the sludge left after the wastewater is treated at the plant. In the past, the biosolids were stored in four huge basins at the plant. Every couple of years a contractor was hired to remove the sludge from the basins. Over the years, the Texas Commission on Environmental Quality has decided they don't want a large volume of sludge left onsite. Oscar Renda is currently treating the sludge at the plant. Mr. Gibson explained the process used to treat the sludge. The equipment is hard to keep running. At certain times the sludge is land applied to property owned by the City and leased to a farmer.

Mr. Hefton verified that the engineering on the biosolids project has been completed and they are starting to put everything together. There are several options to remove the biosolids with the new process.

He said in the past the City had accumulated years of sludge into the basins and had to spend over \$2 million to get the sludge removed. He said the City can either pay now or pay later and the new process would remove sludge on a continuous basis and avoid the years of accumulation.

Mr. Gibson said the Council previously discussed the location of the proposed elevated storage tank. The staff looked at five locations and considered infrastructure, access, location in a growth corridor, and ownership of land. The site selected was at the Southwest Booster Pump Station, which is an open site and not near homes. The pump station and a ground storage tank are already located on the site.

The new elevated tank will be 1.5 million gallons and will be a composite tank with a concrete base and a steel tank on top. It should be completed in approximately one year and should be in service by the end of 2016. This will allow the Gallagher tank to be "taken down" for repair and maintenance.

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The Water Treatment Plant Pilot Testing continues with four vendors testing the microfiltration/reverse osmosis system. Mr. Gibson discussed the changes to the plant to allow installation of the new system. The four vendors installed their systems to allow testing of their equipment to determine which system would be best for Sherman. They are testing both the membranes and the RO system.

He said currently the plant is a conventional treatment plant and it works well. One reason the City is changing to an RO plant is that if they expand the plant they would only be able to expand to 25 mgd. By changing to an RO system with microfiltration, the ultimate site capacity is 70 mgd.

Other reasons for the change is that the RO system is not proprietary and there are several sources for the equipment; both are barrier processes which allows for purer, cleaner water; and the plant has a smaller footprint than the conventional expansion.

Mr. Hefton said the ultimate capacity for the site will be 70 mgd and the City has about 35 mgd of storage in Lake Texoma. This is expected to last Sherman for many generations, which means the City has many millions of gallons per day that they could use to treat someone else's water. He did not feel that the City needs to be selling their water to anyone else long-term. However, if the cities to the south can buy or lease water from some other entity that has water rights in Lake Texoma, Sherman can get the water from Texoma to our plant and have a lot of excess capacity to treat the water and ship it down south.

The reason that the 70 mgd is important is not only for the treatment of Sherman's water but is about the City's ability to be the regional purveyor, that is called for in the Region C Water Plan, and to help have someone else pay for Sherman's plant. There is a great economy of scale and building a larger plant costs only a little more than a smaller plant.

Mr. Hefton said the City would not be treating and transporting water before the plant is up and running, which is two to two-and-a-half years away. It will take that long to work through the details, get contracts in place, and work out pipelines. There is a lot of ability to expand the Water Treatment Plant beyond what is actually needed for Sherman.

Mr. Gibson reiterated that Sherman is included in the Region C Water Plan for the State, as a regional water purveyor. Other cities will be required to comply with the Water Plan which recognizes Sherman as the water purveyor. Mayor Wacker said great policy decisions during the past decades have positioned Sherman for the future in regards to water.

Mr. Gibson discussed the actual process of the RO units in the plant and how the water is actually treated. He said they plan to keep using the EDR units as long as they last and then replace them as they wear out with the RO units. He said it would essentially be two plants in one. They will keep the old plant running to allow more options on the treatment process. The expansion will include a 10 mgd upgrade on the building but it will be constructed where it can take another 5 mgd without building a new facility.

Mr. Hefton verified that the City is currently using approximately 6 mgd, of water but can go as high as 8 mgd. Now, without any expansion, the City can treat 10 mgd, but they are about to add another 10 mgd, allowing for a lot of excess capacity to treat water for other cities. The rates that are being discussed are at, or lower than what these cities are paying to North Texas Municipal Water District.

Mr. Gibson said he receives requests from SEDCO about industries that are coming in that need a guaranteed amount of water. This might be available in the winter during low use times, but

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during the summer, with higher usage, it would have to be supplemented with well water. He said the expansion will buy the City the capacity for future development. Mayor Wacker agreed that the water is one of Sherman's greatest assets.

Mr. Gibson said in the past, the Lake Texoma water entering the plant was clearer than most plants see at the end of the treatment process. But with the recent flooding, the water has been very muddy and has been a good test for the four different RO systems. He said the incoming water is the worst he has ever seen.

As for the implementation schedule, Mr. Gibson said the pilot testing is essentially done, but there are two vendors that have been allowed to run a little longer. They have requested permission to award the bid for the membrane, and proposals will be received on July 14, 2015. Selection of the membranes must be secured prior to construction of the plant. Design of the plant will take about a year, and construction should begin in May 2016. Construction should also take about a year and will be followed by pilot testing. The plant should be up and running by August 2017.

Mr. Hefton addressed financing saying it is approximately a \$20 million plant. The City will be issuing bonds in the last calendar quarter of 2015 through the Texas Water Development Drinking Water Fund. If the bonds were issued today, the rates would be about 1.5%. Through the Drinking Water Fund, the rates are subsidized to help bring them down. The debt service for this project is already built into the budget for 2016. The staff will be coming back to the Council, starting in August 2015, with approval for various steps in the process. The project should fund this calendar year and the City will begin paying it back in 2016. He said the rates now are great for this type of project and if it was 10 years ago, the rates would be in the 4% range.

City Council Members took a lunch break from 11:32 a.m. to 11:52 a.m.

Police Personnel

Bob Fair, Assistant Police Chief, said they realize the citizens are their customers and they strive to get them involved in everything they do. He said his daughter is a Chair at Grayson County College in the Communications Department. A company was hired to make a "Safe Shopping" video to release to assist citizens in staying safe while shopping. His daughter saw the video and said their students could make similar videos as class projects.

Students submitted four videos and the first one that was put on the Police Department's website has had over 70,000 "hits." Chief Fair said it is a good program and they would like to continue the project in the future. He showed the videos to the Council.

Otis Henry, Police Chief, discussed the recruiting of new officers, adding that marketing has helped with the recruitment. Over the last year and a half, law enforcement has been portrayed badly. He said as a whole, law enforcement is not bad, but there are a few "bad apples." He said that recruiting is more than just "filling slots." They need to select the best applicant that they can or the citizens lose faith in the Police Department. He said it is critical to recruit the right people.

He displayed the numbers of people that have applied for, tested, and then been hired since March 2013. Out of 411 that applied, 213 actually tested and only 12 were hired. Chief Henry said recruitment is a nationwide problem.

He said after an officer is hired, it still takes 10 to 12 months to complete the field training if they haven't been through the Police Academy first. It is a "grueling" process for the recruits.

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Officer Henry discussed with the City Council what it actually takes to wear the badge. He outlined the core competencies, adding that it is a lot to ask of 21 or 22 year olds. He listed the tests that applicants must go through to determine whether or not they have these core competencies.

Council Member Steele verified that if a new hire goes through the Police Academy, their probationary period is extended because the probationary period should be time on the street and not in a classroom. After the training, they are put out on the street, but the oversight continues under their supervisors.

Chief Henry said these core competencies are important because of customer service. Their ability to deliver good customer service depends on leadership, procedural justice, and police legitimacy. He discussed several programs to help teach leadership to the officers and discussed the importance of treating citizens with respect and having the ability to interact with the community. He also said an officer must have “police legitimacy,” which is the consent of the public to do their job. People want an opportunity to tell their side of the story and they want to see evidence that the police are neutral and that decisions are made on legal principles and facts and not opinions and biases.

Council Member Watt asked everyone to note the difference in the numbers of applicants after the recruiting efforts were started by Chief Henry and his staff. The numbers dramatically increased. Unfortunately, national events that have recently taken place are curtailing those numbers.

Tourism / Hotel Occupancy Tax / Auditorium & Ballroom Updates / Public Information Officer

Lauren Roth, Tourism Director, presented the proposed budget for the Tourism Department for FY 2015-2016.

This year no money was budgeted for the supply line item because many of the items, such as computers and furniture, were not needed this year. Some of the money saved went to advertising. Money was budgeted this coming year for the Main Street Program. Ms. Roth said Sherman was a Main Street City from 1993 until 1998. They applied again in 2006, but Sherman was not selected. She said there is no direct financial support from the Main Street Program but they help with development programs and applying for grants.

Ms. Roth said the budget for Hot Summer Nights will be increased from \$12,000 to \$18,000 and will include Lights on the Lake. The deficit in the past two or three years has ranged from \$23,000 and \$28,000. She said they entered into a contract with CBC Creative to design some advertisements.

Items that they plan to focus on for next year include growing events to attract outside visitors to Sherman. They also plan to work with other entities and other City department to bring events such as softball tournaments. Ms. Roth said they also plan to work with surrounding cities to bring in area-wide events. The final work plan initiative is to increase their social media and website presence.

Mayor Wacker said she was excited about the concept of community collaboration and they are looking at other partnerships to develop the cultural district. The City should hear in July 2015 whether or not they received the out of town grant. The hope is to include more of these partnerships and make every organization more sustainable.

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Mary Lawrence, Director of Finance, presented the financials for the Hotel/Motel Tax Fund. The ending fund balance is \$218,484. The Chamber of Commerce contract for tourism is \$240,000. The budget also includes improvements to the Kidd-Key Auditorium and the Municipal Ballroom.

Mr. Hefton said a portion of the budget for the Communications Manager is also included in the Hotel/Motel Tax Budget under the administration line item. The other portion will be paid from the General Fund. He said there is room in the fund balance if there are some changes that the Council would like to make to the program.

Council Member Steele asked what the Ballroom and Auditorium line items included. Mr. Hefton said some is for improvements and some is for ongoing costs, such as utilities and janitorial. There are also some transfers out to the 30 year debt for the Auditorium improvements. The debt was originally incurred in 2006 and was about \$2 million.

Steve Ayers, Director of Community and Support Services, discussed the proposed position of Public Information and Communications Manager. He said Sherman has a good story to tell and a good message to share. Earlier, Council Members discussed the importance of getting information out to the public about the substandard structure ordinance and the program to abate those problem areas.

There are many great things going on in Sherman and a lot of great programs that people need to know about. The City needs to work on getting that information out to citizens. The stories need to come from a central source and have a consistency of message.

Mr. Ayers said the proposed position will be a team member with all departments, with the Tourism Department, SEDCO, and the Chamber. The employee would also be expected to build close relationships with the local media and would manage the website content and social media. They would also be expected to develop a "State of the City" annual report, handle some crisis management, and join the community conversation.

Mr. Hefton said the City could actually use this position today and said if Council Members are not opposed, he could put someone to work as soon as they could hire them, prior to October 1, 2015. Permanent funding for the position would be included in the 2016 Budget, but they could move forward earlier if possible. He said there are many stories that could be publicized now such as the Panda expansion, being a regional water purveyor, and the substandard structure program.

Council Member Steele asked about the salary. Mr. Hefton said the salary would probably be in the \$40,000 range with benefits. Mayor Wacker said she was excited about the position and felt it would be a key position with everything that is coming up for Sherman.

Deputy Mayor Plyler asked who the authority for the position would lie with. Mr. Hefton said the position would be a City employee and would report to Mr. Ayers for all departments, except the Police Department. Deputy Mayor Plyler wanted to be sure that with the salary, they need to be sure that the person hired had a good education level with good language skills. Mr. Hefton agreed saying they need to be well written, well spoken, and portray the City well. He verified that the Council was in favor of adding the position.

Council Member Watt said the Police Department and Fire Department already have their own public information officer in place. He asked who would cover a situation such as the bus crash. Mr. Hefton said there would be some times when the communications manager would work hand-

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in-hand with the public safety departments. He did not want to get into a situation during an emergency, about who has authority. If there is an emergency of that nature, Mr. Hefton said he wanted the emergency management people to take the lead. The communications manager would probably have a role in the situation, but probably more working alongside the emergency management team.

Council Member Watt said he felt this was an issue that needed to be addressed for a long time and he was in favor of hiring a communications manager.

Council Member Davis asked if it would include all forms of communication. Mr. Hefton said it would be using all realms of social media and written communication. He said the position would be partially funded from the Hotel/Motel Tax Fund. He said he would be moving ahead with that position prior to implementation of the budget.

Mr. Ayers discussed the proposed Kidd-Key Auditorium and Municipal Ballroom improvements. In the Ballroom, the staff proposed to remodel the kitchen at a cost of \$50,000, upgrade the appliances for \$10,000, add new window blinds for \$5,603, and add an overhead projector and screen for \$12,000. Total cost of the improvements is estimated at \$77,603.

Last year there were over 200 events in the Auditorium and Ballroom, with most in the Ballroom. Proposed improvements for the Auditorium include replacing the window drapes and hardware for \$30,000, sound system improvements for \$9,000, and plaster repair at \$5,200, for a total cost of \$44,200. He said there is currently a “dead space” with the south system that needs to be addressed. The system is currently an analog system and the plan is to replace the system next year with a digital sound board.

Mr. Ayers said there is money set aside this budget year to begin work on the improvements. Mr. Hefton said cost of the repairs for both facilities is estimated at \$120,000. There is available fund balance in the Hotel/Motel Tax Fund this year and these improvements would help move the facilities into the 21st Century and allow the City to be more competitive in the amenities offered in the Ballroom kitchen.

Council Member Steele asked if the City had seen a reduction in use of the City facilities since the new event center was opened. Mr. Hefton said use of the Ballroom is still very robust with 150 events per year, that’s nearly one event every other day. He said there has not been a significant decrease in usage. The goal is to keep the costs reasonable.

City Council Members took a break from 1:19 p.m. to 1:30 p.m.

Space Utilization

Don Keene, Director of Administration and Finance, said he is blessed to be a part of a group that wants to serve the citizens of Sherman, and he said it starts with the City Council. The staff works hard to utilize what we have. Sherman has one of the lowest property tax rates in Texas, and one reason why is that the staff “makes do” with what they have. A great example of that is the way space is used at the City.

For example, the City took an old post office and now it’s used as City Hall. The Taylor Street Complex was originally the Girls, Inc. facility, but is now a gymnasium for the City. The Service Center where the City’s fleet maintenance is housed was an old automotive dealership. There are many ways the City has worked to utilize what they have.

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During the next year, the City will see a number of moves to better utilize space. The Police Department is driving the need to do this because they need additional space for the Emergency Communication Center and evidence storage. After discussing options, the staff found a way to use existing space in the Municipal Building to meet this need.

The Police Department Evidence Storage and Emergency Dispatch will move to the current Municipal Court Office. Municipal Court will move to the Municipal Building into the current Human Resources Office. The Human Resources Office will move to the second floor of the Municipal Building where the Community and Support Services Office was formally located. He said this will put six City Departments and Municipal Court in the Municipal Building, as well as the Ballroom and the Auditorium.

Court payments will actually be taken through the existing windows in the Municipal Building and minimal remodeling will be required to make space for the Court. The second floor space will also need remodeling to accommodate the Human Resources Office.

Mr. Keene said approximately \$115,000 has been budgeted for remodeling and moving the offices. The projects will be a combination of in-house work with the Building Maintenance Department and work that is contracted out.

Council Member Watt asked about the timeline for the project. Mr. Keene said they have already started some of the demolition in the new Human Resources Office. Once approved by the Council, the staff will finalize a timeline. He felt the projects would probably be complete in the second or third quarter of 2016. Mr. Hefton said the projects will begin immediately, but it is a domino effect. He added that, ideally the Communications Director would be located in City Hall, but there may not be room for that office immediately. That person maybe located in the Municipal Building for now, but the long term vision is for that person to be located in City Hall.

Council Member Davis asked about hiring a person for the Taylor Street Gym. Mr. Hefton said the budget does include hiring a full-time person so the City can begin using the Taylor Street Gym forty plus hours per week. The staff believes that person could be fully funded with the incremental charges for the programs offered. Financially there would be minimal financial impact to the City. That will add one additional employee, but will allow the City to make more use of that space, beginning October 1, 2015.

Council Member Davis asked if the staff hoped to rent the facility out for use to other leagues that weren't City sponsored. Mr. Hefton said there could be some open gym time, but a balance will need to be struck with the demand for league play. He said the City could fill the schedule up now with league play, but they can't because they don't have the staff to support the facility. He didn't want it to become a rental place for birthday parties.

Streets

Mr. Barnett updated the City Council on the status of streets in Sherman, saying the goal is to provide a safe and efficient movement of traffic and storm water throughout the City. He showed a video of the Street Maintenance program.

He outlined the responsibilities of the Street Department for the Council, saying Sherman has 199 miles of asphalt streets and 24 miles of concrete streets, there are 326 drainage inlets, 15 traffic control lights, 19 school zone flashers, 16 warning beacons, and over 4,500 traffic signs. He also listed what was maintained by the Street Department last year, including the chip sealing of 29 lane miles of streets, repairing over 116 utility crossings, replacing 752 feet of curb and gutter, replacing 213 feet of drain pipe, and filling over 250 pot holes.

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Mr. Barnett said, in a typical year, the City fills 500 pot holes. As of March 2015, the staff has already filled 500 pot holes. Since March 2015, the staff has filled another 600 pot holes. That means, so far for 2015, the City has filled 1,100 pot holes, or twice what is normally filled in an average year. This is an indication of how bad this year's weather has been on the streets. From the ice to the rain, the weather has really taken a toll on the roads.

Two years ago a survey was completed to make sure Sherman was doing everything they could to protect the streets and to see if things needed to be done differently. One thing found was that Sherman was the only City not doing crack sealing on asphalt and one of two cities that was not doing crack sealing on concrete. In last year's budget, the staff requested a router and crack sealer and the City can now route and fill cracks. The main objective of this program is to make sure that water doesn't penetrate the pavement.

When water does penetrate the pavement, it softens the dirt underneath and turns it into mud. When another car goes over it, it pushes the mud out through the cracks and leaves a void under the roadway. Eventually the pavement will break up and water will penetrate the street.

After much research, Mr. Barnett said the staff found that the chip seal program is still the most cost efficient way to maintain City streets. They did find that they might not be using the best combination of materials to give them the most effective product. Last year they purchased some different types and sizes of materials, including granite. In the past they have only used limestone. They performed a test on East Street, which gets a lot of major truck traffic. They patched the street with five different types and size of rock, and different amounts of oil.

The test street was reviewed this year and the staff found that the best product was 5/8 inch granite with a shot rate of 0.40. This was a bigger rock than has been used in the past, with more oil and applying more rock. The staff will continue to monitor the test street to see how it performs and make adjustments as needed.

The research also showed that on high volume roads, you need to do more than just chip seal. In the past, the City has used the emulsion CRS-2 and CRS-2h. They have found that CRS-2p has a polymer and does a better job of gripping onto the rock. They will try this on some of the higher volume streets such as Taylor or Brockett Streets. They'll then monitor the streets to see how it performs over the next few years.

Last year the City purchased a DuraPatcher to help fill potholes or small patches. This allows the City to repair potholes or utility cuts on their own schedule and not wait until the asphalt plant "fires up." In small volumes, the DuraPatcher is more cost effective than driving to Durant or Pottsville to pick up asphalt.

They also purchased a Skid Steer Loader with multiple attachments. In the past, it took a crew of eight people and a bucket truck about a week to remove vegetation from an alley or street. With the new tool the same alley can be cut in about two hours. It also has other tools such as a power broom, jack hammer, auger, and forks.

Mr. Barnett said he is requesting two pieces of equipment this year. One is to replace a 1996 GMC pickup and the other is two portable, changeable message signs. He said he is really stressing safety to the crews and since people have a tendency to ignore traffic control devices, these signs should make drivers more aware and keep the guys safer. He said the signs could also be used if the City is sponsoring some type of event or has a road closure.

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The staff has also installed a new GIS based work order system that tracks repairs to streets, the cost of the repair, materials used, equipment used, labor used, and what was done. This helps track where money is being spent on streets and will alert staff if they continue to provide the same repairs on the same streets. The information gained will be used to prepare the next five-year chip seal program. It will also help with budget forecasting for future street repairs.

Mr. Barnett said the City also maintains all street signs and signals in Sherman. He displayed an example of the new street signs that are still being placed. Signs in the downtown area are also lighted.

Mr. Barnett said the City doesn't often report on disaster response, but with the recent flooding there are some damages, and in fact has two additional ones to add today that aren't included in the list presented. Lake Street has been closed since about mid May because water has eroded underneath the roadway at two nine foot diameter culverts. He said they continue to have problems with people driving around barricades. He showed erosion on Hickory Street where the road looked safe. But because of the erosion, there was nothing underneath the pavement past the centerline of the roadway. Repairs to Lake Street are estimated at \$30,000 and it will be repaired in-house. Hickory Street has been repaired in-house at a cost of \$5,300.

Plans and specifications are complete for the Hunt Street project and bids will be opened in mid July. The curb and the roadway has failed and continues to get worse. Estimated cost of the project is \$190,000. A portion of the repair had already been identified and budgeted in the Capital Improvement Program.

The slope failure on Kessler Street was more of a surprise and also continues to get worse. Estimated cost on this project is \$360,000 and is currently in the design phase.

Mr. Barnett addressed the sinkholes on Travis Street. The first one was about seven foot by three foot deep and the second one was about eight foot by four foot deep. The street has been closed except for one northbound lane. One bid was received for the repair at a cost of \$400,000. They also stipulated that they could not start the project for a month. The staff has decided to proceed with the project in-house and are trying to secure the pipe needed for the project. Since May 7, 2015 to the end of May, the City spent \$52,200 in labor to place and remove barricades and to clean debris during the storm.

There has been extensive damage to infrastructure including "alligator cracking" and bar ditches that have eroded, failed, or are inoperable. Two private dams have also failed, including the one on Lamberth Road and the one in the Dos Lagos Addition.

Two more areas were not included in the presentation because they have developed since that time. There is a drainage system with a creek running through a pipe at 205 W. McGee that has failed. There has been another slope failure on Kessler Street at Hunt Street. Damages are still being assessed on this project. He added that almost all of the problems except the street repair could be funded out of a stormwater utility fee. As the Council looks at that fee next year, it could be a good source of funding for emergency situations such as these.

He addressed the 2015 CIP program that was promised during the last tax election, adding that the City won't be able to get to it this year. The contractors are several months behind on projects, as the City staff is. Project costs would be huge to get the projects completed this year. The projects will be delayed and the staff can determine what the best solution will be. Plans were to mill and overlay the streets.

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The staff did do an assessment on the streets to determine what they had and gather information about the best way to repair the streets. Two of the sections have concrete and Willow Street is almost entirely concrete. The only asphalt is about one-half inch at the top. This street is almost cost-prohibitive to mill and overlay. The staff will determine the best way to maintain these roads.

Mr. Barnett addressed the 2016 Capital Improvement Program and listed several projects. The program includes \$60,000 for the Grand Avenue Pedestrian Improvements, \$20,000 for the Downtown Sidewalk Improvements, and the Downtown Sherman Streetscape, Phase II, which is grant driven. The estimated cost of the Streetscape project, if the City receives the grant, is \$600,000 with the City's portion at \$150,000.

He said the "crown jewel" of the CIP is the Loy Lake Road improvements which would complete a four lane median divided section between the US Hwy 82 frontage road and the Loy Lake Bridge. It would also address the Gallagher Drive intersection and the Sam's Club entrance. Estimated cost of the project is \$2.5 million.

The City elected to use Kimley-Horn for the project, mostly because of the relationship they have with Wal-Mart. They design all of Wal-Mart's infrastructure all over the United States. Their most recent project is the new Wal-Mart Market on FM 1417. He said they are currently working on an agreement and it will say that the City will pay for one driveway and Sam's Club will need to pay for the other one. They might elect to remove one driveway from the project. They would also be responsible for everything on their private property. Mr. Hefton clarified that the project would include a median divided street with an entrance at Gallagher Drive. Mayor Wacker verified that the driveway would be a right in, right out driveway and that the median could be landscaped if the Council wished.

Mr. Hefton said if the Council chooses, the Street Sales Tax would be placed on the ballot for reauthorization in November. The City is "maxed out" on sales tax and there is currently 1/8 of one cent for street sales tax, which generates about \$1.1 million annually. That money can be used for the maintenance and repair of City streets. It can be used to repair the sinkholes or for chip seal, but it can't be used to extend a street. It can only be used for the maintenance and repair of streets that existed at the time the tax was passed. It expires after four years. If approved again, the sales tax for streets would be in effect starting April 2016.

He said the sales tax is needed because it is a dedicated source of funding for existing streets and allows the City to complete some of the projects that would not otherwise be considered. It also places the burden for street maintenance on the people that actually use the streets, which is not only Sherman citizens. Visitors that shop, go to the parks, or visit the library, all use the streets. Mr. Hefton said the tax is about as fair as it can be because it spreads the burden to everyone using the service.

The street sales tax can be put into place by petition, but the Council can also give the staff authority to put it on the ballot. The Election can be held on either the May or November uniform Election date, and would be added to the November 3, 2015 ballot. Specific ballot wording is required by the State Comptroller. If the Election fails, the City would have to wait one year before resubmitting it to the voters.

The street sales tax was originally passed in November 2007 by a margin of three to one, and was effective from April 2008 through March 2012. During that cycle, the City completed 25 lane miles of street mill and overlay and 60 miles of chip seal.

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In November 2011, the second round of street sales tax passed by a margin of nine to one, and was effective from April 2012 through March 2016. During this cycle, the City has completed 10 lane miles of mill and overlay and 60 miles of chip seal. He said some of the planned street reconstruction projects have not been completed because the plan was to complete them this year, but the weather has caused delays.

The third round of street sales tax would be considered on the November 2015 ballot and, if passed, would be effective from April 2016 through March 2020. He outlined the schedule to add the measure to the ballot. He estimated that the sales tax would provide an estimated \$4.3 million or \$4.4 million annually.

Potential uses of the sales tax would be to help complete 60 miles of chip seal and maybe another street reconstruction project such as the Loy Lake reconstruction from US Hwy 82 to Sara Swamy Drive.

Mr. Hefton verified that the City Council did want to move forward with the street sales tax reauthorization.

Unfunded Critical CIP / Long Term Issues

Mr. Hefton said there are some critical issues in FY 2017 and beyond that could have immediate impact over the next few months. The staff still doesn't know what the impact will be from the recent flood damage. He said he did not know what the number would be, nor how it will be paid. He said the staff will have to come back to the Council with suggestions on how to pay the costs.

He said the City is looking at a potential bond issue in 2017. There are some critical things that will need to be funded either through debt or through reserves. There is not enough money in reserves to fund some of the issues. One project is the purchase of the right-of-way for Taylor Street, west to SH 289. The City needs to purchase the right-of-way so citizens don't build where a road is planned.

There are also structural issues with the Library and a portion of it is falling in. The project has been put off, but at some point it will need to be addressed. He said, at a minimum, it might consist of tearing off the south portion that has sunk. There is no estimate for the cost at this time.

There are other potential FM 1417 enhancements that will be needed. TxDOT has said that the City's chances of funding a project and scheduling it sooner, will increase if the City will agree to pay for a portion of the project, such as the expansion of FM 1417. The City might need \$1 million to \$1.5 million to complete the engineering and right-of-way acquisition on that two mile stretch of road.

Another issue would be a regional detention structure, which would need to be built prior to the development. Land would need to be purchased to construct the detention structure. He said 2017 would be critical and the staff will start planning for discussions on a future bond. The staff is currently working with FEMA to understand their timeframe for purchasing property in the floodway.

City Council Members took a break from 2:42 p.m. to 2:51 p.m.

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Financial Presentation / CIP

Ms. Lawrence presented the financial highlights for 2015. The General Fund, at the end of FY 2015, had ending reserves of \$1.2 million above budget. Revenues were above budget by about \$150,000, due to some great sales tax performance. The City also saved about \$800,000 on expenses, due to open positions, primarily in the Police Department. There were some other savings in street materials and in vehicle usage, because of the low fuel costs. The projected ending reserves for 2015 should be at \$7.7 million or 85 days.

In the Utility Fund, the staff is projecting ending reserves at \$1.8 million above budget. Revenues are about in line with the budget, however expenses are down, especially due to the Water Treatment Debt Service. It was originally thought the debt service would be in 2015, but the bulk of it starts in 2016. About \$1.1 million of the \$1.3 million was due to the debt service that will be seen in 2016. The staff predicts ending reserves to be at \$5.8 million or 102 days.

Ms. Lawrence said those are healthy fund balances to end the year and will help out in the 2016 budget.

Ending reserves in the Solid Waste Fund are projected to be about \$1.3 million or 75 days, which is where they need to be. The revenues and expenses are close to budget. The projected ending fund balance in the CIP General Fund is \$338,000 and in the CIP Utility Fund is \$1.7 million.

She presented financial highlights from the 2016 budget. All fund balances are between 60 and 90 days, in the target area. In the General Fund, the staff is projecting that the sales tax revenue will be up again and they have built in a 1% growth in the sales tax base.

There is also some repayment relief. About 10 years ago, the Comptroller notified the City of an overpayment of sales tax by a single taxpayer of about \$1.9 million. The City had to repay that amount over a 10 year period, which is up this December. In 2016, there will be about \$150,000 in relief because that will have been repaid. Property tax increased about \$200,000 from Panda and there are a couple of other additions to the tax roll. Increases from new value are still unknown.

In the Utility Fund, water and sewer revenues are expected to be flat and the debt service will increase \$1.1 million for the Water Treatment Plant Expansion. The full debt service will appear in 2017 and should be about \$1.3 million. The Solid Waste Fund includes major fleet purchases and a 5% rate increase.

The increased funding levels for group health will be an ongoing situation no matter what plan the City is on. It has been built into the budget. The proposed budget also includes some pay adjustments and a 2% across-the-board increase, to help ensure that Sherman is in line with market and the peer cities. She said there are some "compression issues" in the Police Department and the budget addresses this to give more room between the ranks. The budget also includes some limited funding for one-time capital improvements.

Ms. Lawrence addressed the ongoing balancing in the funds. Mr. Hefton added that the difference in climate and moisture in any given year affects the Utility Fund. The staff doesn't know what the impact will be, but the revenue might be down because of the rain received. He said there have been some years where it has made over a \$1 million difference in the revenue for one year. He said the proposed fund balances represent a normal year.

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Council Member Davis asked if the capital and operating costs for the utilities were “fixed” to adjust for the fluctuations. Mr. Hefton said the staff is about to build the fixed costs back to a normal level. The fixed costs have been down the last few years, which has allowed the City to transfer cash to help other areas, like the General Fund. He said the rates are designed to see the City through a normal year, so the “ups” and “downs” are taken care of through fund balance. He felt that today, the rates are appropriately set for the expected ongoing expenses.

He said that the \$700,000 to \$800,000 that comes in each year from Panda Energy has helped to keep the rates stable. Mayor Wacker said it is good to keep the rates stable, but unanticipated things can cause changes.

Council Member Davis said the fixed rate might need to be higher because citizens aren't watering their yard. Mr. Hefton said in the years where the weather is normal, the City would be generating more cash than needed to fund the operation, so the rates would be high overall. He said the staff tries to build the rates, based on a normal summer. Over time it works well.

Ms. Lawrence presented a list of items that were ongoing expenses funded in FY 2016. This includes the proposed Public Information Officer and the full-time employee for the Fairview Gym. It also includes the second and third shift operator at the Wastewater Treatment Plant. She also presented a list of items that are non-recurring expenses and will be purchased from the one-time Panda money.

In the General Fund, property tax includes the money from Panda, as well as new property and new value. She said values have increased some, but they don't have the final numbers yet.

She explained a new budget procedure used this year. Instead of starting with what the departments requested, the staff determined an average of what is usually spent to manage the department. The managers were given this amount, and were given more autonomy over their budget. This freed up money in the budget, because managers are budgeting for the average and not for the “worse case” scenario. Ms. Lawrence said this helped with the on-going balancing and with the proposed budget for this year. She also presented a five-year dashboard with projections and showing different scenarios.

In the Utility Fund, debt service and personnel will be increasing. The maintenance line item has decreased but the staff doesn't build every possible problem into the budget. She presented the five-year dashboard for the Utility Fund. Some additional revenue maybe realized from the sale of capacity at the Water Treatment Plant to other cities. There will also be significant revenue from the Panda II Project, as well as the sale of the effluent. In 2021, the projected debt service drops by about \$1 million per year.

In the Solid Waste Fund, the commercial revenue was up, however tipping fees were increased too. Mr. Hefton said there is a 5% rate increase included in the projected revenue for 2016. It is for commercial and residential solid waste, but not for recycling. Mr. Hefton said recycling basically pays for itself. The five-year dashboard shows a stable fund balance.

Ms. Lawrence said the General Improvement Fund might increase because of flood damage and projects that need to be funded. In the Utility Improvement Fund, the Blalock Industrial Sewer was funded by SEDCO.

Mr. Hefton said the funding for CIPs is critical each year. The fund balances are being drawn down, which is appropriate. CIPs take care of the general infrastructure.

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Council Direction

Mr. Hefton asked for Council direction on the proposed initiatives.

- **Water Treatment Plant Expansion**
- **Compensation and Staffing** – 2% across-the-board; public information officer; GIS manager; Parks and Recreation position; two employees in the Wastewater Treatment Plant
- **Stormwater Management and Planning** – no fee this year; projects; purchase of property
- **FM 1417 Development Management** – Kimley-Horn Study; transportation, code development; regional detention
- **Code Enforcement and Substandard Structures** – no new positions; add dollars
- **Downtown Sidewalks** – TxDOT matching program to extend and widen hike and bike trails on Houston and Lamar going east; Downtown TIF
- **Loy Lake Rebuild (Street Sales Tax, TIF, Bond)**
- **Optimized Space Utilization** – \$100,000 +
- **Utility Issues – Water and Wastewater Improvements** – most done through GTUA; effluent line for Panda
- **Southwest Elevated Water Storage Tank** – engineering now; funding probably through GTUA; \$3.3 million project
- **Solid Waste Rate Adjustment** – keep up with costs
- **Downtown Incentives**
- **Stepped Up Code Enforcement / Cleanup Along US Hwy 56** – in conjunction with substandard structure program; possible purchase of property in floodway
- **Improvement to Ballroom / Kitchen** – \$120,000 improvements; Hotel/Motel Tax fund balance
- **Improved Safety Along Grand Avenue** – \$60,000 for either activated crosswalk or something to help improve traffic safety
- **Development Ordinance Improvements** – continue improvements of north and west Sherman; FM 1417 area
- **Pursue Street Sales Tax** – reauthorization

Council Member Steele asked when the last Solid Waste rate increase was. Mr. Hefton said there was a small 1% increase a couple of years ago. In 2000, the City began the commercial solid waste program but rates were not increased for about 10 years. About five or six years ago there was a larger increase. Since that time there have been smaller, incremental increases.

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This year the staff is proposing a 5% increase for residential and commercial. He felt the rates should be reviewed every year, but said the City has not been consistent with the solid waste rate adjustments.

Mayor Wacker said it is a forward thinking budget that continues to push Sherman down the road toward more success. Everything is not ideal yet and there are still some challenges, such as the weather. She said it's nice to be thinking about what's on the horizon and not just hanging on.

Mr. Hefton said from a staff perspective, it "feels busy." With the development that's going on and the weird weather, it is a busy time. The staff is excited about everything that's going on.

The draft budget will be presented on July 20, 2015 and will be similar to what has been presented today. If property taxes change significantly, there might be adjustments.

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 3:38 p.m. Documentation for the Budget Work Session is held in the General File "Budget Work Session FY 2015-2016" in the City Clerk's Office.

MAYOR

ATTEST

CITY CLERK