

STATE OF TEXAS §

June 21, 2016

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 21, 2016.

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

MEMBERS ABSENT: None.

STAFF PRESENT: Robby Hefton, City Manager; Brandon Shelby, City Attorney; Don Keene, Assistant City Manager; 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; Danny Jones, Fire Chief; Wayne Blackwell, Human Resources Director; Zach Flores, Human Resources Manager; Stephen Dean, Assistant Police Chief; Chris Olson, Fire Division Chief; Mary Lawrence, Director of Finance; Kevin Winkler, Parks and Recreation Director; Clint Philpott, City Engineer; Tammy Davis, Controller; Jim Cross, Water Systems Manager; Nate Strauch, Communications Manager; Jacqueline Banfield, Library Services Administrator; Melissa Eason, Library Services Supervisor; Mike Grant, Facilities Superintendent; Sarah McRae, Tourism/Main Street Manager; Moises Duran, Community Planning Community Planning Coordinator; Matt Joseph, Systems Coordinator; Pam Cloer, Assistant to the City Manager; and Linda Ashby, City Clerk.

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

INVOCATION BY COUNCIL MEMBER TOM WATT

2016-2017 BUDGET REVIEW

ADJOURNMENT

CALL TO ORDER, QUORUM DETERMINED, MEETING DECLARED OPEN

Mayor Plyler called the meeting to order at 8:04 a.m., declared a quorum present, and opened the meeting.

INVOCATION BY COUNCIL MEMBER TOM WATT

OPENING COMMENTS

Robby Hefton, City Manager, showed a video of some of the current projects during the different stages of development. He said there is currently a lot going on in the City of Sherman. The video was "shot" in-house with a drone.

He said the theme of the Budget Workshop is "managing growth." The video shows growth at all stages, from a conceptual viewpoint to moving dirt. Some other projects that are underway,

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weren't included in the video, such as the remodeling of the Public Library and other Capital Improvement Projects.

2016-2017 BUDGET REVIEW

Managing Our Growth

Mr. Hefton said the key theme to this year's budget preparation is managing or planning for the City's growth. There has been growth in all sectors of the City and the latest population count is 40,600, and the City is growing by about 2% to 3% annually. This is about double the historical growth patterns. With this growth, there is growth in the tax base, both in new property and in values. The Sherman Independent School District (SISD) is preparing to hold a Tax Ratification Election (TRE) and possibly a bond issue.

He said the focus should be to do the right things, then to do them the best we can, more efficiently. Legally, the City is developing a budget for one year, with discussions on projections for four and five years. However, if a City doesn't plan ahead and make some long term decisions, they could make some short-sighted decisions that work for one year, but don't make since in the long term.

Challenges of managing this growth are how to pay for the growth. It can be paid for through the tax rate; through fees that are charged; through water, sewer and trash rates; or through the tax base. The tax base includes both the property tax and the sales tax. The staff and Council must make sure that the decisions that are made are sustainable.

Mr. Hefton said the proposal today will be to add 17 employees, something the City hasn't done in 20 years, if ever. He added that those decisions need to be sustainable. The City also needs to be smart about how the money is used and to leverage money with entities such as the Texas Department of Transportation. He said the City also wants to "stretch" the dollars and is using internal crews for projects such as the extension of water lines.

There have also been discussions about revenue generation by selling water to other cities due to the expansion of the Water Treatment Plant. There is currently a draft agreement with the Collin-Grayson Municipal Alliance (CGMA), which represents Howe, Van Alstyne, Anna, and Melissa, to provide water services to those communities. This should result in a long term water agreement to provide water to those communities. Water revenue has been sloping upward due to the \$1 million annually from Panda Energy. Recent annexations will also generate revenue.

Mr. Hefton addressed planning, adding that, many times the plan addresses what's going on at the time. You can plan for things, but things might change and the City needs to be prepared. For example, the City has gone outside of last year's budget, because of things that are happening today. Many of the developments today, weren't even "on the radar" last year at budget time. With this growth cycle, the City must be prepared for the future. There should also be a phased approach to change, and not "bite off more than we can chew."

He outlined several principals for managing growth, including utilizing partnerships to reduce the burden on taxpayers. This includes public partnerships with entities such as the SISD, Austin College, and the CGMA, as well as private partnerships with landowners, developers, and Panda Energy.

The City must also utilize debt appropriately and issue it only when needed. They must take advantage of opportunities to reduce the costs by using subsidies through entities such as the Texas Water Development Board (TWDB). The City must also manage the bond rating to reduce the cost of borrowing.

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Mr. Hefton said the money the City uses is “not our money,” but is received from citizens through taxes, fees, or rates. There are fundamental things that the City should focus on and must consider “first things first.” One of the “first things” is public safety, and includes police and fire positions, fleet, and equipment. After that, the City must “seek the right amount of nice,” balancing the function and needs.

Mr. Hefton said the City should also diversify the things that support sustainability. Sherman has an unusually high sales tax base, but that ebbs and flows with the economy. Other things include the property tax base; water, sewer, and utilities; primary jobs; a livable community; and the infrastructure. The City must also use tax revenue and rates appropriately by growth in the tax base and using the tax rate to fund certain things.

The City also needs to use private sector principles, when possible. For example, adding an internal line crew to handle certain projects in-house, instead of “purchasing” that service from a contractor. With construction jobs booming in cities to the south of Sherman, costs for contractors bidding these jobs is increasing. Mr. Hefton said the City will save money on jobs that no longer need to be bid out. He estimated that the City will save “millions of dollars” over the next few years.

Other principles are to be opportunistic when opportunities arise, negotiate in good faith and don’t be greedy, know your customers and their needs, and consider a long-term perspective. For example, there is a plan to take Taylor / Washington Street to SH 289, but it won’t be completed in one phase. It’s not needed right now, but the City does need to obtain the right-of-way for the entire project now, so when it is needed, the City’s not fighting with property owners that have already built a home where the roadway needs to go. He reiterated that the City needs to make sure they are doing the right things and doing them right, and be pliable as things change.

The City must create value for stakeholders, the citizens, and create an environment of trust between the employees, Council, and other governments and partners, which creates sustainability. This creates a reputation that the City treats others fairly and with compassion, and will work with others, which spurs reinvestment in the community.

Mr. Hefton added that another important principle is to take care of our important assets, the people. This includes employees, the Council, other governments, and our partners. These principles help create and promote a desirable community, in which we pray and are thankful.

Library Update

Steve Ayers, Director of Community and Support Services, said 43 years ago the City built the current Public Library at a cost of \$500,000. In 1973, this 16,000 square foot library was one of the best in North Texas. Approximately 2.5 million people have visited the library since 2000.

Mr. Ayers said in the last few years, there has been a decline in people visiting the library, but that doesn’t necessarily mean there has been less use, just a change in how citizens get their information, services, and technology. For example, eBooks and downloadable audio books have increased from 610 in 2011 to 11,967 in 2015. These citizens are visiting the library through technology.

The library is also very active in youth reading programs with participation increasing from 350 in 2005 to 810 in 2015. Computer usage has increased from zero in 1973 to 19,776 in 2015. Services and the demand for services are increasing, it’s just changing from what it was in the past.

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As they reviewed the future of the library, Mr. Ayers said they looked at trends and community needs, an assessment of the library facilities and infrastructure, and its circulation and holdings. He said citizens like the current location of the library, and it's a solid building. It has an open layout, lots of windows, and high ceilings.

He introduced Aaron Babcock, Principal, Hidell & Associates Architects, consultants for the library project. Mr. Babcock said his company reviewed the existing library building and how that could transform into a modern day library. He outlined the process they used to analyze the community needs and gather information from citizens through an on-line survey. They asked about existing library services and what citizens would like to see in a new library.

They also reviewed the existing building. From a structural standpoint it is a strong building with a lot of good features that translate into a modern library, however it does need some infrastructure updates, such as a new roof, a new mechanical system, and some technology upgrades.

Mr. Babcock said they also analyzed the building from a customer perspective and staff perspective. Is it efficient, does it have the amenities they want, and is the layout right? People are getting their information in different ways and there are new trends in libraries today. They determined three priorities which were to meet community needs, make sure the layout is operationally efficient, and have flexibility for future needs.

From the online survey, citizens indicated that the top three things that would improve their library experience were comfortable and welcoming spaces, an increased selection of best selling books, and activities and educational programs for children. Citizens also indicated that they would like to see quiet reading and study areas, public access computers, and children's learning and play areas in the library. He added that libraries are changing and people get their information differently now. Because of this trend, the reference section in libraries is disappearing and people are reading not only from books, but from downloadables.

Mr. Babcock said the best solution is to have a flexible design with open space that will accommodate the future, however it changes. Currently there aren't spaces near windows or niches, where people can sit in a chair, on a couch, or at a table, to read, work, or study, and there aren't interactive tables in the children's areas. He added that libraries still need to have computer access to the Internet for citizens as well as space for them to bring their own devices. Also, four to six-man study rooms with integrated technology are popular.

Mr. Babcock presented an assessment of the current library building. The building addition that was completed after 1973 is not in good shape and should be removed. The original building needs a new mechanical system and the restrooms need to be updated to ADA standards. The "round room" is not the most efficient for a meeting space and there is no need for five service points in the building. A new layout would be much more efficient and eliminate the need for this many service points. The public computers are hidden and need to be a feature of the easy to find areas and amenities. There are also not enough "new" books.

Mr. Babcock explained that they reviewed the numbers for the past year, looking at the book collections and how they were used. The new book collection was utilized very heavily, but there isn't enough of them. Ideally, 15% to 25% of a library's books should be checked out at any given time. The audio/visual collection is not easy to browse. The children's collection should be condensed into one area instead of two. The adult fiction area usually circulates well and should not be located in the back of the building. Adult non-fiction should be reduced and has a very low

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utilization rate. He also discussed the type of shelving that should be used for the adult non-fiction.

He said they do feel that the existing building could be improved and made to work and have presented a basic concept and an enhanced concept for improvements. A completely new building, on the same property and with the same parking, would cost about \$5.69 million.

The total cost of the basic renovation option would be about \$955,000, with the demolition of the existing building, the new mechanical, new roof, and new restrooms costing about \$600,000 of that amount. It would also include the demolition of some existing walls, some reconfiguration, new carpet, and new lighting. This option would provide for two service points and would also keep the current meeting room space. He discussed the layout for this option.

The total cost of the basic enhanced option would be about \$1.56 million, and would include more renovations to the interior of the building, as well as the \$600,000 for the infrastructure. With this option, the meeting room would be used as a children's area with interactive items that were mentioned in the survey. This option would provide for one service point. He discussed the layout for this option, which included additional amenities, such as another meeting room, a drive-up book drop, and a quiet reading/special collections area.

Mr. Babcock said both of these options could be accomplished through a "phased" construction to keep the facility open and keep half of the library space available to the staff and public at all times.

Mayor Plyler asked about the use of LED lighting and replacing the HVAC to reduce the cost of operations. Mr. Babcock said the mechanics that are being proposed are much more efficient than the ones there now. Additional insulation will be added when the roof is replaced. He said they are including LED lighting in every library they design because it is wonderful lighting, it is efficient, and it does not have to be replaced. There is a cost "up front" but it is far more efficient. The operational costs will also be reduced because of the updated mechanical system. He said today, natural lighting is very important. The library faces northeast and the natural light through the glass is perfect and shades itself.

Council Member Johnson asked how many people responded to the online survey and what was the target audience. Mr. Babcock said 295 responded and the target audience was "everyone." They also mailed the survey to the library's existing customer base. The survey was promoted by the City and they wanted to reach users and non-users. He said about 90% of the responders had a library card.

Council Member Davis asked about statistics of how many people actually check out and if that was decreasing. Jacqueline Banfield, Library Services Administrator, said the number is going down due to the use of eBooks and downloadables. She added that the use of children's books audio books, and computers is increasing, but the physical check-out of books has declined. Council Member Davis addressed the low usage, at 4%, of non-fiction books, adding that those books are available through Amazon. With such access to these books, the trend seems to be away from hardback books.

Mr. Babcock agreed saying specialty books are so easy to get now and information is available on the Internet, and that makes collection utilization important, so that money can be invested in the collections that are circulating and the space can be reallocated as needed. Children's books do circulate well in Sherman, but the layout is not optimum.

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Don Keene, Assistant City Manager, said the way the library is used is different, but the facility is good and the City doesn't need to spend \$6 million on a new library. They have the space they need, it just needs to be reconfigured and reprogrammed to fit with what today's citizens are needing. It's a continued evolution. Mr. Babcock said the library has a big open space, which is easy to revamp into what is needed. Flexibility is the future. Ms. Banfield said the staff is currently evaluating titles, books, and collections and removing books that are not circulating. They are also reviewing subject areas to reduce the collections that are not being used. She added that once a book is printed, it is out-of-date and citizens need to be aware that more current information may be available on the Internet.

Mr. Hefton said there would be a significant reduction in the number of "hard books" in either version of the library remodeling because of the trend in library usage. The plan is not just a structural renovation, but to evaluate the operation of the library and the collection to use it more efficiently. Ms. Banfield added that the reference collection is almost totally a "thing of the past" because the most up-to-date information is available on the Internet.

Council Member Watt said, from the user's standpoint, he liked the enhanced version of the remodeling, and asked if one made better financial sense than the other. Mayor Plyler said the library is not renovated everyday and since the City staff can work side-by-side with the contractors, they can do the enhanced version less expensively than what the budget shows. He said use of the maintenance staff to help is a function of what the City has available. He also preferred the enhanced version of the remodeling.

Mr. Hefton said funding will be available, through the first phase of the bond issue, if the Council chooses to move forward with the library remodeling.

Council Member Davis asked Mr. Babcock if there was any benefit to consulting with the schools to get their input on what the children in the community need. Mr. Babcock said it is important to work with schools because schools are teaching in a different manner these days. He added that the library can provide these resources when the schools are not open. They could also provide additional resources for reference.

Mr. Ayers said, regardless of the type of library renovation approved, the immediate facility needs will cost about \$1 million. After that, the services need to be streamlined and there should be an assessment of the personnel structure and staffing utilization. In the future, greenspace and additional parking will also need to be addressed.

He said this is in line with the staff's plan over the past few years for space utilization and efficiency. Instead of building a \$5.5 million library, the staff feels they can use the existing facilities to "create a good product." He presented a list of other projects that have been completed along the same lines.

City Council Members took a break from 9:35 a.m. to 9:40 a.m.

Parks and Recreation

Mr. Ayers said the City has approximately 463 total park acres. The national average for park employees is one employee for 11 acres of developed park land. In 2005, the City had one employee for every 20 acres and in 2015 had one employee for every 27 acres. He outlined the sports activities that are currently held in Sherman and the number of participants.

There are approximately 800 formally organized softball and baseball games alone and the Taylor Street Facility has over 500 events monthly. He said there is a high usage of parks and

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fields by the public, the youth sports associations, and by the other educational institutions, such as the School District, Texoma Christian School, Austin College, and Grayson Christian Academy. Mr. Ayers said there are also between 35,000 and 40,000 visitors to The Splash each year.

He addressed anticipated needs by showing a chart with the 2016 enrollment for the SISD and the high number of elementary children that are currently in the school system.

Besides normal parks and recreation activities, the department is also responsible for West Hill Cemetery, the Senior Citizens Center, and special events, such as Lights on the Lake. Currently West Hill Cemetery consists of 120 acres and has 29,000 burial plots with 100 open burial plots. Annex D will soon be opened and will include over 3,000 new plots.

Parks Master Plan

Mr. Ayers introduced Dennis Sims, Principal, Dunkin Sims Stoffels, Inc., who is the landscape engineer for the Parks Master Plan, which is underway. The Parks Master Plan will evaluate the entire parks system to assess the recreation needs and determine the priorities that the City should address. The plan will be used as a guide to acquire and develop park land to meet the growing needs and will provide a list of priorities. It will provide cost estimates and will be submitted to the Texas Parks and Wildlife Department to assist in future grant applications through their organization. The plan will be very specific to Sherman and the needs of the citizens.

One public input meeting has been held and another will be held soon. Besides using public input, the needs will be based on a comparison with other cities the same size, as well as the local demand. Mr. Sims said it is important not to over or under build the facilities. Needs are also determined by the amount of park land that would be standard based on the population and the resources that are available, such as the park land around Dean Gilbert Lake. The plan is very fluid and is public driven, and Mr. Sims said it should be complete by the Fall of 2016.

Mr. Sims also presented a concept plan for 25 additional acres that will be added to Pecan Grove West Park and used to expand the sports fields. He said the fields could be used for baseball and softball, or all for soccer, with moveable goals. The needs assessment will help determine what is needed for the community. The park could also have hike and bike trails, a playground, and a picnic area.

Mr. Hefton asked about the cost and time required, from design to completion, to complete the development of this type of addition to the park. Mr. Sims said this type of facility could cost between \$6 million and \$9 million, including lighting and parking. Mr. Hefton said 20 years ago, the City spent about \$3.5 million to \$4 million on the Old Settlers Quad. Mr. Sims said it would take 6 to 9 months to develop the plans and approximately 12 to 13 months to build, or easily two years.

Mayor Plyler asked if other communities in Texas were using synthetic turf, and what would be the benefits. Mr. Sims said they are seeing more synthetic turf fields when cities can afford it. He said the benefit is that there is no “down time” for rain. Also, the maintenance is lower because you don’t have to water it or mow it. When fields are unusable due to rain, those cities with synthetic fields are booked up. Mayor Plyler said if the City can reduce the cost of maintenance and operations, will it eventually pay for itself. Basically, spend more now and save later. Mr. Sims added that league travel tournaments could be a major impact on a City that offers synthetic fields, because you can guarantee that kids will be able to play on the field.

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Mr. Keene said there are many options for parks and recreation and the Master Plan will give the City a plan to work from and some objectivity.

Streets and Storm Water

Clay Barnett, Director of Public Works and Engineering, presented a video of the City's Street Maintenance operation. He presented statistics for the facilities maintained through the Street Department, including 206 miles of asphalt streets and 24 miles of concrete streets, 338 drainage inlets, 15 traffic control lights, and 5,238 traffic signs. He also presented the top ten activities for the department, the hours spent, and the total cost.

Council Member Steele said there is a "big hump" at Texoma Parkway and Fallon Drive and he asked whether that was City or TxDOT. Mr. Barnett said that would be repaired by TxDOT and he would contact them.

The most expensive activity this past year was the repair of a drainage pipe on Travis Street, at a cost of \$397,703. Three of the projects, including the drain pipe, were storm water related and could have been paid for with a storm water utility fee. Mr. Barnett said a storm water utility fee would help offset some of the financial burden on the General Fund.

Mr. Barnett addressed staffing levels for the department saying instead of a very structured staff, they have a pool of resources that are managed by two foremen and used on projects as needed. Staffing levels have dropped from 28 in 1996 to 23 in 2016. The department no longer does alley maintenance, however they still get a lot of calls for the service. He added that the bulk of costs for the Street Department is their materials budget. Even through the population and the cost of materials have both increased, the budget for the department has remained relatively "flat." As Sherman continues to grow, that budget may need to be increased in the future.

He addressed various pieces of equipment that have been added in the last couple of years that helped the department "do more with less" and keep some additional projects in-house instead of contracting out.

Capital Improvement Projects Update

Mr. Barnett said the staff did advertise for the Grand Avenue Pedestrian Improvements, the Downtown Sidewalk Improvements, and the Meadows Circle Reconstruction. Construction is expected to start in July 2016. In an effort to save money, the new Assistant City Engineer actually designed two of these projects. He is also drawing the plans for the Throckmorton, Walnut and Willow Rehabilitation Projects. These projects were in last year's CIP however the projects were not completed due to the weather. Construction should be complete in September 2016.

The Ellsworth Branch Flood Study is being done in cooperation with the City of Denison and should be complete in January 2017. The staff will continue working on the Subdivision Ordinance Update, which should be complete in October 2016.

The State has notified the City that the TAP Grant process has been delayed by one year and the Downtown Sherman Streetscape, Phase II Project should start construction by early Summer 2017. The estimated cost of the project is \$600,000, with the City's portion at \$150,000. The plans for the project are 30% complete.

The staff continues to work with the utility company partners for the Loy Lake Road Project and the franchise utility relocations are in progress. The contractor would like for the utility work to be complete before he starts construction, but the staff hopes to have him begin soon.

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Storm Water

Mr. Barnett said there were 14 floods recorded in Sherman since 1993, with the most recent being in June 2007, where the City received 7.6 inches of rain in seven hours. During that flood, 89 single family homes, 270 apartment units, and 40 commercial properties were flooded. There were two fatalities and US Hwy 75 was closed for approximately 8 hours. As a result of that flood, it became the number three priority of the 2009 Comprehensive Master Plan to solve the flooding problems.

From the Comprehensive Master Plan, the City did a flood study that was completed in 2013 and identified \$54.5 million in projects to mitigate the flooding situation. One project was floodplain land acquisition where the City purchases property in the floodplain, tears the structures down and converts the use to something that would work in the floodplain such as open space or park usage. The City is moving forward with this project and \$736,000 is set aside in the proposed budget for floodplain land acquisition. Mr. Barnett said there is also a grant that would reimburse 90% of that cost, making the City's portion about \$74,000.

He also addressed regional storage facilities that are used to reduce peak flow rates and reduce the downstream velocities. There are seven proposed storage projects at a projected cost of about \$14 million. Of that amount, \$5.5 million is eligible for a grant. Currently the City's ordinance requires on-site detention and this is an alternate to that requirement.

On-site detention can actually cause more flooding downstream and effective storm water management must be coordinated on a regional or basin-wide basis. On-site detention is also expensive for a developer and is hard to maintain. Mr. Barnett said regional detention ponds generally look nicer and are a more cost effective method of reducing the peak runoff. They can also provide a recreational use to the community.

Another issue with storm water is the floodplain maps. The City's floodplain ordinance says you can't build in the floodplain without a study and going through the Federal Emergency Management Agency to change the maps. Basically the current floodplain maps are limiting the City's potential for development, however they also allow development in some areas where they shouldn't. Some flood areas are not included on the map at all.

Mr. Barnett addressed a storm water utility fee, saying it does relieve some of the burden on the General Fund and establishes a dedicated source of funding. The fee is based on the amount of impervious cover, so it is a fair way to assess the fee, and it can be used to leverage the issuance of debt for large projects. Cost of the storm water utility fee would be \$112,500, for a study to meet State law. This amount is currently included in the proposed budget. He outlined the process that would be required to initiate the storm water utility fee.

Deputy Mayor Sofey clarified that the study is included in the proposed budget, and that would allow the City to institute fees to offset the cost of some of the repairs. He asked about the schedule for changes and improvements to the FEMA floodplain maps. Mr. Barnett said the thought was to initiate the storm water utility fee and use the revenue from that to change the FEMA maps. Deputy Mayor Sofey verified that the regional detention can be done without the update on the FEMA maps, however the maps still need to be updated because they're either limiting development where they shouldn't or they're allowing development where they shouldn't.

Mr. Hefton said the City is currently doing some of this now, but needs the fee study to do even more. The fee study would create this revenue source that could be leveraged immediately for

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small projects, or leveraged for bonds for long-term projects. The staff is already having conversations with developers about a fee in lieu of detention. He felt that the study would probably take months, but should be completed in 2017. The staff would then have recommendations for the fee structure. Funds could then be collected and might be used in the 2018 budget to fund some of the projects. Mr. Barnett added that the plan would be developed as part of the study. Mr. Keene said the study identified the projects, but the City needs to prioritize them.

Deputy Mayor Sofey verified that updating the FEMA floodplain maps is a separate project. He felt a lot was being done for development, but the floodplain maps need to be addressed. The maps need to correctly identify the floodplain areas and remove the areas from the floodplain that should not be included. Mr. Hefton verified that the engineering work has been done, but it hasn't been "stamped" by FEMA nor moved through their process. Mr. Barnett said it would cost about \$250,000 and take about a year to complete that process. Deputy Mayor Sofey felt that could affect a lot of developable land that could be used. It's cheaper to do the larger study for the entire floodplain than to do one developable site at a time.

Council Member Watt verified that the \$250,000 for the FEMA map update is separate from the \$54 million proposed cost for the storm water projects. Deputy Mayor Sofey felt that the impact fees, the regional detention, and the FEMA mapping all "fits together" and the City needs to do it all. Mr. Hefton agreed that updating the FEMA maps is a priority. The staff is not waiting on the fee schedule for the operational items.

Council Member Steele asked about closing an on-site detention facility once a regional facility is open. Mr. Barnett said once the regional site is open, the on-site detention facilities could be developed for other purposes. If they are developed, they would then pay the storm water utility fee to offset the on-site facility. Mr. Hefton confirmed that they would pay the fee in lieu of detention, but they would get the land back from the on-site detention facility and it could be used for development. He added that the best move, going forward, is the regional detention facility, but it will take time to get there. Mr. Barnett said the on-site facilities work for that one development, but taken in the "large picture," many times they make the problem worse.

Upcoming Capital Improvement Projects

Mr. Barnett said the City will continue to update the transportation plan. The southwest quadrant is planned for 2017 at an estimated cost of \$25,000; the northern half in 2018 for \$25,000; and the southeast in 2020 for \$30,000.

Mr. Barnett listed the projects, with estimated costs, that are included in this year's budget. While the full construction and engineering cost is included for Taylor Street to SH 289, he said the City is not going to complete that entire project now. They will acquire the right-of-way to help defer the cost of building that street. Projects included this year are Taylor Street, Phase 1, 2, and 3; Lamberth Road, Phase 1 and 2; Friendship Road, Phase 1, 2, and 3; Swan Ridge; Sherman Crossroads; and Canyon Creek Extension. Most of the projects include the engineering and the right-of-way acquisition.

Mr. Barnett said the Council has previously discussed a local match that could help Sherman's projects move up more quickly on TxDOT's schedule. If the City designs the project, acquires the right-of-way up front, and funds a portion of the construction cost, say 10%, it helps move the project up on the "list." Other benefits include showing that Sherman has a vested interest in the project's success, it can be designed to fit the City's needs, and it avoids delays and the possible loss of funding.

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Two other projects are Travis Street and FM 1417. The Metropolitan Planning Organization has agreed to provide the engineering on Travis Street which will also help “stretch” the City's dollars, but still accomplish the goals. An engineering contract has also been awarded for a section of FM 1417 and the City will proceed with preliminary engineering and acquiring the right-of-way.

Mr. Barnett said as the City continues to grow, the staff needs to examine the staffing levels, equipment, and facilities for the Street Department, as well as prepare the storm water facilities for anticipated growth. The mitigation projects and regional detention facilities should be addressed, and the FEMA floodplain maps should be updated. Planning should continue for future roadways, right-of-ways need to be acquired, and local funding should be leveraged with State transportation funding.

Tourism / Hotel Motel Occupancy Tax

Mr. Ayers addressed the past revenue for the Hotel/Motel Tax Fund and the “Panda Effect” that gave the fund a healthy balance. A management decision was made to invest some of that fund balance, so there has been an increase in expenses and a decrease in the fund balance. The fund balance was invested in projects and programs.

Projects utilizing fund balance include the remodeling of the Ballroom and Kitchen, and the Kidd-Key Auditorium. He outlined the projects, both maintenance and upgrades, that were included in the remodeling. By using City crews as well as sub-contracting some portions, the City was able to get the most out of the money spent. Cost of the remodeling for the Ballroom was \$50,000.

The City also used some of the fund balance to invest in programs such as renewing the Main Street Program, which brought Texas First Lady Cecilia Abbott to Sherman, to help revitalize the downtown area. Additional funding was also spent on Hot Summer Nights and the Lights on the Lake events.

Mr. Ayers discussed the proposed budget, outlining both the essential and the discretionary expenditures. The proposed budget would spend down the fund balance to about \$50,000, investing about \$88,000 of the fund balance. He added that amount of spending is not sustainable and some decisions will need to be made in the future. No decisions will be needed for this budget year, but will be needed for the 2017-2018 Budget to determine which direction the Council wants to go.

He said the Hotel/Motel Tax Fund revenue and fund balance have also been affected by the “Panda Effect,” the oil and gas market has been down, and there has been a small impact from the Hilton Garden that opened in Denison. The final impact would be how the City prioritizes the investment in the various programs and projects. That prioritization will also need to be addressed in the next budget year.

Council Member Johnson said a great compliment came from the Marshall Tucker Band when their Hot Summer Nights concert was moved into the Auditorium because of rain. They said the sound was great and we should have concerts in there all the time. Mr. Hefton said one of the recent investments was to replace the south board with a digital board instead of analogue. He said the City still has 14 or 15 years of bond payments left on the bonds for the 2001 remodeling project. Mr. Ayers added that out of the \$50,000 project to remodel the kitchen, the City really got about \$120,000 worth of remodeling.

Council Member Couch asked if the City is doing everything they can to attract tourists to the City and to the Sherman hotels. He asked if there were any incentives that could be offered to bring them to Sherman. Mr. Hefton said the City does have a role to encourage development and

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investment in that area, but ultimately it is the developers and the hotel franchises that must make that decision. Several developers have discussed projects with the City and even gone through the Planning and Zoning process, but seem to be waiting for the right timing. He felt one barrier might be that construction costs have increased in the last few years due to development farther south. He said the City is willing and has communicated that willingness to developers. He said there are incentives offered and the Sherman Economic Development Corporation is also involved.

Mr. Ayers said the City already had the tourism personnel cost built into the budget and with the reinstatement of the Main Street Program, the two positions were combined with no extra cost. Office space was also already budgeted for tourism.

Council Member Davis asked if the staff had considered increasing the revenue from the Ballroom and Auditorium since they were remodeled. Mr. Ayers said the staff is working to add sponsorships to increase the revenue, and in fact has increased the revenue for both Hot Summer Nights and Lights on the Lake. Mr. Hefton said, from a rental standpoint, the City's fees are very reasonable, and the Ballroom is used about 250 times annually. The City's rates are cheap for what you get. Council Member Davis felt the City needed to be aware of the market rate and be comparable.

Council Member Johnson confirmed that marketing for the Ballroom and Auditorium is done through the Tourism Department. She suggested that the City hold a ribbon cutting or open house for the recent remodeling to advertise the changes.

Mayor Plyler said this year's Lights on the Lake event is projected to bring in 10,000 people. Hopefully, with that turnout, next year's sponsorships will be even better.

City Council Members took a break from 11:19 a.m. to 11:34 a.m.

Police Department

Stephen Dean, Assistant Police Chief, said "business is good at the Sherman Police Department." He outlined the mission and organizational chart for the department, adding that patrol makes up 59% of the manpower. There are currently 66 sworn officers. He also addressed recruits and vacancies.

Council Member Steele asked what some of the challenges were to getting recruits to stay at the department. Chief Dean said they do lose some because they just "can't cut it," but they also lose some to other Metroplex agencies. They recently had two officers that retired and took civilian jobs with the Plano Police Department.

He outlined the duties of the officers, adding that whether it is a patrol officer or a detective, "everything terminates with an abundance of paperwork." He outlined the extra duties that officers are also responsible for, including the Critical Accident Investigation Team, the Field Training Officer, the K-9 Teams, and the Special Response Team. One of the SRT teams is a Tactical Medic Team that works in conjunction with the Fire Department and provides medical assistance and better liability protection for the officers and the department. The department also has counter snipers and negotiators.

Chief Dean said the bike patrol has suffered due to manpower issues, however it is still used for special events such as Lights on the Lake, parades, and football games. He said it's cheap, quiet, and pretty efficient, and they hope to revamp the bike patrol this year and get it going again.

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He outlined volunteer events where officers were present for 2015-2016, including festivals, parades, football games and pep rallies, 5K runs, and other events. This is in addition to the numerous events held in the Municipal Ballroom and Auditorium where officers are also in attendance. When alcohol is served, three officers are required at these events, but they are paid for by the renters.

Council Member Couch verified that three officers are required in the Ballroom where alcohol is served because of the number of attendees and the safety issue for officers. He said funeral escorts are provided by off-duty officers and paid for by the funeral homes. Chief Dean said larger agencies also have school resource officers, however Sherman does not have the funds or manpower for that. There is an officer at Sherman High School, at Piner, and at Dillingham every day, and one officer in each elementary school district visits that elementary school each day.

The department also has an Intelligence Office for proactive investigations of such crimes as online solicitation of minors, distribution of child pornography, and prostitution and human trafficking. He said the “face of crime” is changing and includes computer-based crimes that are not even based in Sherman. He addressed the results of several cases handled by the Intelligence Office.

As for planning for the future, Chief Dean said the Police Department serves up to 200,000 people because of the “retail draw” the community has, even though the population is at 39,000 to 40,000 people. Sherman covers 44 square miles and the population density is 924.25 per square mile. This will affect future patrol needs and staffing.

Chief Dean said the department received 37,045 calls for service during 2015, and presented statistics of the calls received, which generated 5,919 reports. These calls include traffic stops, disturbances, traffic accidents, alarm responses, assaults, burglaries, warrants, and follow-up investigations. He addressed the number of various types of calls received by the department and the increase they have seen over the last few years.

He explained that the Uniform Crime Report is data that is collected throughout the United States from over 18,000 City, University/College, County, State, Tribal, and Federal law enforcement agencies, to provide statistics for the entire nation. This data is collected and published by the Federal Bureau of Investigation.

Council Member Watt explained that the UCR does not count the sexual assault of children and he said that is one failure of the system. He said it will eventually be revamped, but right now, that is all the law enforcement agencies have to track statistics. Council Member Davis confirmed that there are differences in how crimes are reported in different cities. Council Member Watt added that it depends on the type of community reporting and a “bedroom” community may have less crime than a City with many commercial businesses. That is a problem with the system that the FBI is trying to correct.

Chief Dean said at full staff, Sherman would have 66 officers, but that is hard to maintain. Daily staffing is from five to seven patrol officers and one supervisor on the street, answering calls. There are seven detectives and a sergeant and they generally have 30 to 40 active felony cases each. Two detectives and one supervisor serve in narcotics, and currently two of the three are out with on the job injuries.

He addressed response time for priority and average calls. The response time for calls has increased from 8.34 minutes for priority calls and 8.64 minutes for average calls in 2014 to 10.81

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minutes for priority calls and 10.62 minutes for average calls in 2016. He said they want to have a fast response time and are working to decrease that number.

Mr. Hefton said when you take into effect the population of 40,000 versus the “daytime population” or number of people served as a retail center at 200,000, the City’s UCR crimes is also going to be more. Whether it’s a UCR crime or an accident, the City is struggling with staffing. One item in the proposed budget is additional staffing for the Police Department.

In 2016, the department is at 64 funded positions, and the staff is requesting to fund up to 68 officers. He added that it is nearly impossible to keep a full staff. As the population grows and the market grows, it is important to make adjustments in the staffing as well. Council Member Watt said, as a former City employee for 31 years, the staff has been “cut to the bone” and there was never enough people. He added that he put a policy in place where an officer couldn’t work more than 16 hours per day. He said it’s the same situation with the firefighters. Council Member Johnson added that the City is paying overtime if they don’t have enough staff.

Mr. Hefton said the staff is taking a phased approach to added officers and the first step is to add three to four officers. Council Member Watt said the Sherman Police Department reaches out to the community a lot and are out there greeting citizens. In some cities, citizens may not feel as welcome to call the police department. He said the Telephone Reporting Unit (TRU) is one way to create an opportunity to encourage citizens to report a crime, and it makes it very simple for the citizens to do so.

Council Member Steele asked if the City provides electric gathering devices to help with paperwork. Several years ago the City did purchase electric ticket writers. He asked if that type of technology was available to the officers. Chief Dean said they do use electric ticket writers which greatly reduces the paperwork for the courts.

He said one challenge they will face in the next couple of years deals with the “Michael Morton Act,” which says anything the police has for a criminal case, whether it’s relative or not, has to be given to the District Attorney’s Office. This includes everything from dispatch, multiple videos if there are multiple officers, all call notes from the time the call comes in, and the officer’s field notes. This is a much larger requirement and increases the demand for evidence and puts a huge burden on the Police Department. Council Member Watt added that the “nuts and bolts” of law enforcement is the documentation, whether it’s written out or typed in on an iPad. It still takes time.

City Council Members took a lunch break from 12:34 p.m. to 12:51 p.m.

Utilities Update

Mark Gibson, Director of Utilities, presented an update on current and future utility projects. He thanked the City Council, Mr. Hefton, and Mr. Keene for getting them a utility crew and the equipment needed to complete these utility projects in house.

One of the first jobs planned is the water line to Preston Club from the intersection of US Hwy 82 and SH 289. The development is short on water during the summer months and has requested to have City water provided to them as an outside water customer. The estimated cost of the project is about \$100,000 with the savings of about \$20,000 by using the City’s crew. The estimated annual revenue from the line will be about \$50,000.

Mr. Hefton clarified that the City is not annexing Preston Club nor or they providing water to the 80 to 100 customers. The City is supplying water to one customer, the water company that

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serves Preston Club. There will be one master meter and not meters for individual customers on each property. Mr. Gibson added that they are running short on water in the summer and consequently they are unable to develop any additional lots. Mayor Plyler reiterated that the City will spend \$100,000 to construct a water line and the revenue will be \$50,000 per year. The sale of water is very lucrative for the citizens.

Another project is the Carriage Estates water line where the City is rebuilding the entire water system. The current water system is in bad shape. The project will cost about \$300,000 and take about one year to get everyone connected. By using City crews, the City should save about \$80,000 over the cost of a contractor. The estimated annual revenue will be about \$100,000. Mr. Gibson said there will be a lot of “unknowns” with the project, but once completed their residents will be in a much better situation.

There is also a project to construct a water line along the north side of SH 56, between Friendship Road and out to Case and Riddels Road, to provide water to a newly annexed area. The project is estimated to cost \$100,000 and should take about six to eight weeks to complete. The estimated annual revenue will be \$10,000.

A new gravity sewer will be constructed to the Lift Station at SH 691 and US Hwy 75 by Texoma Medical Center, and will replace the Sears Lift Station, located on Texoma Parkway, near the El Dorado Mobile Home Park. The Sears Lift Station is an old facility and with the development on Texoma Parkway, it has become subject to flooding and has maintenance issues. The project will be completed by a contractor and will cost about \$930,000. Construction time is approximately nine months.

The City is working with SEDCO on an industrial sewer to upgrade the capacity and service to the Blalock Industrial Park. One option was to leave the existing sewer line, which runs by the railroad track to the Wastewater Treatment Plant, but it is in bad shape. The decision was made to use the sewer line from MEMC to the Wastewater Treatment Plant instead. Cost of the project will be about \$800,000 and take a year to complete. The City should save about \$200,000 over the cost of a contractor.

Currently the effluent from the Wastewater Treatment Plant goes into Post Oak Creek and then into Choctaw Creek. The effluent is a resource that will become more valuable in the future. The City has a plan to capture that effluent from the Wastewater Treatment Plant and take it back into the Blalock Industrial Park for possible use by industry. One of the first customers might be Panda Energy, who could use the effluent instead of raw water. Cost of the project is estimated at \$4.5 million and should take about a year to complete. The City should save about \$500,000 by completing the project in-house. With possible future contracts for use, the expected revenue could be \$800,000 a year.

The CGMA pipeline project would transport water to the south US Hwy 75 corridor and provide water sales to cities to our south. The line would run from the Shepherd Drive water tower, down US Hwy 75 to SH 5, then to the storage tank and the future pump station site for the CGMA project. The estimated cost of the project is \$4 million, however the City should save about \$1 million through the in-house construction. It should take about a year to complete and will extend about five to six miles. Mr. Gibson said the revenue stream would depend on how much is sold but is expected to be between \$350,000 to \$1.5 million.

The Water Treatment Plant Concentrate project is in conjunction with the expansion of the Water Treatment Plant and is estimated to cost \$2 million. The project will be completed by an outside contractor and should take about a year to complete. The project will run a line with a higher

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concentrate of solids down FM 691 to the lift station at US Hwy 76 and FM 691, then pump it down to the Wastewater Treatment Plant.

The Crossroads water line will extend water in conjunction with street development in front of the old Johnson & Johnson facility. The line will parallel the new roadway and will take about six months to complete. Estimated cost of the project is \$425,000 with an estimated savings of about \$90,000.

Another project is to extend the water line near Shady Oaks Drive and Canyon Creek in conjunction with the Carriage Estates and Lamberth Road water line. The project should cost about \$100,000, with an estimated savings of \$15,000, and take 45 days to complete. Annual revenues are estimated to be \$100,000.

The Swan Ridge water line will be installed in conjunction with the construction of Swan Ridge Drive and will feed the subdivision and also serve as an alternate feed to the new Southwest Elevated Tank. There is a 24" line that comes from US Hwy 82 to Lamberth Road, but there is a gap to SH 56, which will eventually be filled in. This line would be used as an alternate feed from SH 56 back to the storage tank.

The Lamberth Road project will be in conjunction with Carriage Estates and the Lamberth Road water line, to loop back into the City. It will also open up additional areas for development and provide the potential for development toward the west. The project is estimated to cost \$200,000 and take three months to complete. There should be an estimated \$50,000 savings by completing it in-house. Expected annual revenue is \$80,000.

Mr. Gibson presented a summary of the proposed projects that are estimated to cost almost \$11 million. The City expects to save about \$2 million by completing most of them in-house. He added that there are other advantages to using City crews for the projects, including additional flexibility moving between projects, timing issues caused by the bid process and scheduling with an outside contractor, and the advantage that the crews installing the line are also the same ones that will repair the line.

Mr. Gibson added that the City has a great senior crew leader for the projects. He also took the initiative to build a boring machine that has been used to bore under roadways. He built it from parts and it has been used twice, and works. He felt the City would realize a lot of reward by completing these projects in-house.

Mr. Hefton said these projects represent 18 to 20 miles worth of pipeline work that is being completed in-house, in addition to the projects that are being completed by an outside contractor. He said there is enough work to keep this pipeline crew busy for several years. He said that a large part of the financing for the projects will be done through the Greater Texoma Utility Authority, even though the City has the equipment and the manpower. The proposed budget does include a 3.5% increase in utility fees, but there will also be some pipeline costs that will be bonded through GTUA.

He added that the staff knows they will do some of the projects, but some of the projects are waiting on others, such as the effluent line and the CGMA line. Those projects are waiting on a contract with the end user before they are scheduled. Mr. Keene said many of these projects weren't even "on the radar" one year ago.

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FY 2016 Work Plan Updates

Mr. Keene discussed the magnitude of the projects for this upcoming year adding that “everyone is doing more of everything.” There are many diverse projects, and he said Sherman is doing that with one of the lowest tax rates in Texas.

Last year, at the end of the Budget Work Session, the Council set some initiatives to accomplish during the 2015-2016 Budget. He updated the status of those projects. Mr. Keene addressed additional projects and initiatives that have come along, since the Budget Work Session and updated the Council on the status of these projects. These additional projects include:

- SFD Station #4 Relocation
- Carriage Estates Water System
- Hwy 56 West Annexation
- Sherman Crossroads
- Pecan Grove Ball Fields
- Lamberth West Development
- The Preserve Development
- Covenant Development
- Hwy 1417/75 (southeast) Development
- Affordable Housing Policy
- TxDOT Projects

Council Member Watt asked if the ball fields on the west side of town were designed to relieve pressure off of Old Settlers Park or replace it. Mr. Keene said the staff would wait until the new Parks Master Plan is complete, however it is envisioned that it would relieve pressure from both Old Settlers Park and Fairview Park. It is not planned to replace the other parks.

Staffing and Personnel Issues

Mr. Keene said the staff is proposing some significant action for staffing and personnel issues. They are proposing the addition of 17 new full-time employees for the budget. He said, across-the-board, the City runs “very lean.”

In the General Fund, the staff is proposing to add three new police officers; three in the Fire Department, two of which are the inspectors that have already been approved; one in the Building Maintenance Department; one in Community Services, which has already been hired; and an Assistant City Engineer.

In the Utility Fund, the staff is proposing to add three new employees at the Water Treatment Plant, due to the expansion; and four in Water Distribution to expand the line crew. They also plan to hire one new employee in the Information Technology Department. This department is currently installing the City's new telephone system and saving lots of money.

Mr. Hefton explained that the City is implementing a new telephone system to replace the current system which is about 15 years old and uses old technology. The City entered into a contract to have that work done by an external company. That contract fell through when the company lost some employees. That company was not paid for the contract work. The City's IT Department stepped up to install the new system and they are saving the City about \$100,000 by doing it internally. Since the new system will be managed in-house by City employees, an additional employee is needed in the IT Department. Council Member Couch confirmed that the current ratio of IT employees to employees served is about 1:70.

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Mr. Keene explained that each one of the 17 proposed employees is in support of the City's plan and growth in the community. He said the employees added for new programs or an expansion of services would be funded primarily with rates or with the resulting growth in revenue. He said the staff was also asking for some across-the-board raises and market adjustments, which will be funded exclusively with existing available revenues.

Mr. Hefton said the City has already embarked on a \$25 million Water Treatment Plant Expansion and another \$10 million has been spent on the Wastewater Treatment Plant during the past few years. The City is doubling the capacity of the Water Treatment Plant and the debt will be coming on the books for the project. The new plant is not even "up and running" but Mr. Hefton said he felt that three employees was the correct number, but reserved the right to come back to them at a later date if more are needed. He reiterated that the City is doubling the capacity of the plant and only adding three new employees and a very small rate increase. He said the staff is doing an amazing job of working within the means that is available to the City, and keeping rates low while still managing the growth.

Mr. Keene said originally there were request for more than 17 additional employees. He outlined the original requests saying some of those may be presented to the City Council next budget year.

He added that the proposed budget also includes a 2% across-the-board increase for all employees and the staff would like to make some specific market adjustments in some areas, mostly in public safety. They also continue to look at organizational changes. Mr. Keene added that the staff is trying to compete and meet the peer average in salaries. One of the main priorities is to "take care of our people." Council Member Watt asked if there was enough money to look at a 3% pay increase. Mr. Hefton said there was, but Mr. Keene added that, with that, they probably couldn't "do something else."

Mr. Keene said the City's health care costs continue to increase, just as they do across the country. The staff has been working with a new consultant to manage the program and to minimize the total cost. The staff will be presenting some concrete options on ways to minimize and manage the health care costs, and then ultimately, how will that cost be shared. As the cost has increased in the past, the City has continued to absorb that increase and what the employees were paying has stayed "flat." He added that for every \$500,000 saved in this area, that's another \$500,000 that the City can do something else with.

Mr. Hefton said the answer to Council Member Watt's question about a 3% pay increase, it that it depends, and a lot of it depends on the costs of employee health care. He added this issue will be discussed later after a recommendation from the consultant.

Council Member Davis said health insurance choices seem to be that you have worse choices than you had the year before. Mr. Keene said the staff has found that the City does want to continue to be self-funded, because there is more control and more visibility. Mr. Hefton said doing the right thing is to be self-funded, but how does the City do the right thing, in the best way.

Financing and the Future

Mr. Hefton presented a list of General Improvement Projects and Utility Improvement Projects that were presented to the City Council for consideration. He said there are three major sources of revenue for the City. In the General Fund, those revenue sources are property tax and sales tax. From December 2010 until today, there are only two quarters out of 22 quarters, where there hasn't been sales tax growth. Currently the City is on a track for about a 4% growth in sales tax,

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which Mr. Hefton said is “tremendous.” City sales tax is about \$15 million. He said every 1% is \$150,000. So when the sales tax grows 4% in one year, that’s \$600,000 that the City has this year that they didn’t have last year. He said that is helping fund many of the CIP projects, the new employees, and helps build the reserves. There has been a steady growth in the sales tax base.

Sherman is projected to be at about \$2.7 billion in property tax base, both in growth of tax base and in value.

In the Utility Fund, the major sources of revenue are the water and sewer revenue. The water rates have a steady upward trend, however the sewer rates have remained pretty constant. Mr. Hefton said while sewer rates should normally have increased too, however Panda Energy is generating about \$1 million annually in water revenue that is being used in their process and is not returning as sewer. Panda Energy actually came online in 2014.

The staff has already discussed cost containment in the facility renovation efforts, the group health review, the utility line crew, selling unused property, and the phasing of major projects in order to spread out the costs.

Mr. Hefton also addressed sustainable strategic partnerships with other entities such as the SISD; Panda Energy; CGMA; industrial, commercial, and retail businesses; developers; and TxDOT, for things such as joint use of facilities, water contracts, economic incentives, tax abatements, and sharing costs to move projects forward in the schedules.

Mr. Hefton addressed the projected bond uses and the bonds for phase 1 of the projects. Phase 1 of the bond issue will be for \$7.3 million. Phase 2 will be in 2017 and will probably be \$12 million and Phase 3 will be in 2018 and will probably be \$10 million. He presented the list of projects, adding that he was not sure on the timing.

Over the next three years, the staff is expecting to spend over \$30 million for projects. He said it would be a little over \$0.07 on the tax rate. He showed a tax and debt survey for cities in Texas, saying that higher growth cities have a higher debt per capita. He presented a chart showing the maintenance and operations tax rate for Sherman and her peer cities. Currently, Sherman has one of the lowest tax rates and even with all three phases of the bond issue, it would still be very low. This plan uses both growth and tax rate to finance the plan.

There will also be projects funded through GTUA so the staff is proposing a 3.5% water and sewer rate increase for residential, commercial, and industrial users. Both the current rate and the proposed rate are in the middle of the peer cities chart.

He outlined the amount of revenue generated from a water and sewer rate increase, from a tax rate increase, sales tax growth, and the cost of borrowing money for projects. He said the estimated population is now at 40,600.

Council Member Davis asked when the City would receive the existing tax numbers from the Appraisal District, and what did Mr. Hefton feel they would “look like.” Mr. Hefton said the City receives “preliminary estimates” in April, but they are very rough and before the appeals are considered. The certified numbers are received by mid July.

He added that across-the-board for Grayson County, residential values are up 13% to 15%, but there is a statutory cap of 10% for any one-year increase on residential property. He said the staff is expecting a growth in property taxes of about \$600,000. In the General Fund, this means

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about \$1.2 million to \$1.4 million additional revenue next year over this year's amount, half from sales tax and half from property taxes.

Financial Summary

Mary Lawrence, Director of Finance, said General Fund reserves are projected to be down a little more than budgeted, however there was some good revenue performance that offset the increased expenditures. Panda Energy had a 380 Agreement, which added to this year's expenditures, some personnel were added, and there was a transfer to the Health Fund, so the net is what was projected. Money was received from FEMA for last year's flooding.

In the Utility Fund, reserves are down about \$1.1 million, but they were budgeted to be down even more. Ending reserves were higher than estimated. The projected revenue was up \$1.2 million over budget, but the lease proceeds are shown as revenue. There was good performance in water and sewer revenue, which is about \$450,000 over budget, and about one-third of that is attributed to Panda Energy. Projected expenditures are up versus budget. It includes equipment purchased for the new utility line crew and the additional personnel that were added to run the equipment.

In the Solid Waste Fund, reserves were up about \$240,000, almost entirely due to commercial solid waste with a little bit due to residential, from the Carriage Estates annexation and growth in the City. Ms. Lawrence said commercial solid waste revenue is very volatile and much harder to budget than residential. It also increases disposal fees at the Landfill, so those expenditures are over budget. There was some fuel savings to offset those expenses.

Ms. Lawrence said the Tax Notes from Loy Lake Road were not budgeted, and those proceeds will be seen in the General Improvement Fund. There are also some Certificates of Obligation that the Council will be asked to approve at the July 18, 2016 Council Meeting. Those CO's will be for facilities and streets, such as Taylor Street, the Public Library, the Fire Station, and Swan Ridge Drive. In 2016 the following items were not budgeted, staffing and equipment for the utility line crew, substandard structures, the new community services coordinator, and two additional fire inspectors.

She said the fund balances are all within 60 to 90 days. For 2017, the staff is projecting a 2% increase in sales tax. It will appear to be a decrease on the General Fund financials, because almost \$400,000 will be going to the tax note debt service fund to repay the tax notes on Loy Lake Road. Property tax will be up, with \$550,000 estimated from the proposed rate increase, with almost \$0.01 will be debt service on the Certificates of Obligation that will be issued. The rest will be for the new positions in the Fire and Police Departments. There will also be an increase of about \$750,000 from new value and property that was added to the tax rolls. There will be CIP funding at \$750,000 for some of the smaller projects.

Ms. Lawrence said in the Utility Fund, the 3.5% proposed rate increase, plus about 1% in growth will amount to \$890,000 in additional revenue. A cost increase of about \$1 million is from personnel increases and about \$400,000 of the increase is from the Automated Meter Infrastructure project that will be presented at an upcoming City Council Meeting. The AMI is a stationary utility meter reading system that will be proposed and will collect and analyze utility data from service meters.

The Solid Waste Fund includes the ongoing expenses for fleet purchases, which will be about \$850,000. The General Improvement Fund includes a \$10 million budget for Certificates of Obligation, but they do not know what that number will actually be at this point. It depends on the

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timing and the size of the projects. The staff is also budgeting for a 2% across-the-board pay increase, which will be about \$440,000 across all the funds.

She said the staff will be presenting a long term solution for containing health care costs in the Health Fund. Debt service for the Certificates of Obligation are also budgeted for next year and amount to about \$0.01 of the tax rate in 2017. In 2018 the full amount of debt service will be on the books.

Ms. Lawrence presented the ongoing fund balancing, including non-recurring items. She outlined the one time purchases that would be included. This also allows the City to do some things that were not included in the budget. Mr. Hefton said, for the General Fund, what's not in those numbers is any money transferred for CIP projects. It's important to have enough money to transfer over for improvement projects and it needs to be a big enough number to have money for the CIP projects or these projects will have to be delayed. Same with the Utility Improvement Fund if there's not enough money to transfer from the Utility Fund for the projects.

Ms. Lawrence presented a list of the items and personnel that the staff has proposed for 2017 with the cost of each.

She presented the financial information for the major funds, including revenue and expenditures for each one. She presented highlights of changes in each fund and information on the tax rate and tax collections. There is a pretty high projected increase in property values for 2017, from an increase in value and the addition of new taxable value. She also outlined how the staff arrived at the proposed tax rate increase, including the debt service, the addition of three firefighter positions, and four police patrol positions.

In the Utility Fund, Ms. Lawrence said the 3.5% increase in water rates amounts to \$700,000 and the 1% increase in volume amounts to about \$200,000. The average residential customer will see about a \$2 per month increase in the water and sewer rates, if the proposed rate increase is approved.

There were no "big stories" in the Solid Waste Fund, and Ms. Lawrence presented the budget transfer schedules for the various funds.

She presented information on the Health Fund showing how the employee paid portion has not changed much for many years, but how the employer paid amount has fluctuated and grown over the years. Council Member Davis asked if the employee contribution was a percentage or if it was a set amount. Ms. Lawrence said it was a set amount and depends on whether or not they have dependents on the policy.

Projects were also presented for the General Improvement Fund including the cost of the projects. Mr. Hefton said normally the fund includes projects in the \$1 million to \$2 million range, but for 2016, is estimated at \$7,542,000 and for 2016 is estimated at \$16,226,000. Ms. Lawrence presented projects for debt financing through FY 2019, but said she fully expected those to change within the next two or three months. Some projects may move to other years in the plan.

Council Member Johnson asked if the numbers presented for new staff were total compensation or wage only and if they were considered competitive. Ms. Lawrence said it was total compensation and they were competitive with other cities.

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Council Direction

Mr. Hefton asked the Council for their direction on the items that were presented today to be included in the draft budget for consideration in July. He also presented a list of significant items that were eliminated from the 2017 Budget because there was not enough money. He added that the Council will see these items again, maybe in the upcoming budget year if it turns out to be better than expected.

The items that were eliminated include:

- SCBA replacement program
- Tactical Rescue Vehicle replacement

- Fire engine replacement

- Various Street equipment
 - Loader, dump trucks, excavator

- Various positions
 - City Planner
 - Parks maintenance
 - Street equipment operator
 - WWTP night operators

- Various facility considerations
 - Fire Station 5
 - Street Department building
 - Service Center

He said the staff will present a fixed utility network replacement program in August 2016 for the Council's consideration to make the reading of water meters a lot more efficient and accurate.

Mr. Hefton presented the list of initiatives that were included in the draft 2017 Budget:

- Compensation and Staffing
 - Add 17 full time employees
 - Adjust Public Safety and other pay
 - Provide a cost of living pay increase of 2% for all City employees

- Storm Water Fee Study
 - Commission the study in 2017 to prepare for fee implementation in 2018

- Fleet
 - Purchase necessary fleet/equipment

- Fixed Network
 - Purchase/implement system to improve efficiency of water distribution/billing

- Utility CIP's and Utility Rate Adjustments
 - Implement Utility CIP projects
 - Adjust Utility rate to support

- Library
 - Complete the proposed renovation

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- Parks and Recreation
 - Update Parks Master Plan
 - Purchase property for Pecan Grove West sports fields
- Hotel/Motel/Tourism
 - Implement plan as presented
- General CIP's and Property Tax Increase
 - Implement CIP projects
 - Adjust property tax rate to support
 - Phased approach to issue bonds to support CIP General projects
- Partnerships
 - Continue to develop partnerships that promote cooperation and optimized use of resources

Mr. Hefton asked if there were any other items that the City Council would like to discuss. Council Member Steele would like to consider allowing citizens to tour the City's facilities, maybe allow them to register to take a bus tour and see where their tax dollars are going. They know they pay taxes, but this would show them why they pay taxes.

Council Member Steele said he travels to many employers in the three County area, and they are having the same issue with health care that the City is having. Many of them are putting in state-of-the-art health care facilities to encourage their employees to work out during lunch or breaks, in order to help with those costs. He said there could also be an incentive, like a "biggest loser" competition for employees. Mr. Hefton said they have discussed creative ways for wellness and preventative care with the new consultant. He said many employers are getting creative in how they manage their employee health care, and are putting the burden back on those getting the health care.

Council Member Couch mentioned the "City Day" that is sponsored by the Chamber of Commerce in conjunction with the Leadership Day, and said that was a good program and was a deciding factor in his decision to run for City Council. He suggested partnering with the Chamber to help get citizens involved. Council Member Johnson suggested a "Tour the City Day" where citizens could tour some key points and could RSVP if they wanted to participate.

Kevin Winkler, Parks and Recreation Director, said that is similar to the "Touch a Truck" event the department offered at Pecan Grove Park this year. They had almost every piece of equipment owned by the City available to see and crawl inside to see where their tax dollars are spent.

Mr. Hefton said the draft budget will be presented to the City Council at the Meeting on July 18, 2016. He said other than what was just discussed, there should be no significant changes to the budget. He urged them to call with any questions they might have.

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ADJOURNMENT

There being no further business to come before the City Council today, motion was duly made and approved to adjourn the Called meeting at 2:45 p.m. Documentation for the Budget Work Session is held in the General File "Budget Work Session FY 2016-2017" in the City Clerk's Office.

MAYOR

ATTEST

CITY CLERK