STATE OF TEXAS §

June 18, 2021

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 Council Chambers of City Hall, 220 West Mulberry Street, Sherman, Texas, on June 18, 2021.

MEMBERS PRESENT: Mayor David Plyler; Deputy Mayor Daron Holland.
Council Members Howeth, Melton, Steele, Stevenson, Teamann.

MEMBERS ABSENT: None.

STAFF PRESENT: Robby Hefton, City Manager; Terrence Steele, Assistant City Manager; Clint Philpott, Assistant City Manager; Ryan Pittman, Attorney, Abernathy, Roeder, Boyd, Hullett; Wayne Lee, Director of Engineering; Rob Rae, Director of Development Services; Danny Jones, Fire Chief; Leah Campbell, Human Resources/OD Administrator; Cathy Perkins, Human Resources Manager; Zach Flores, Police Chief; Bruce Dawsey, Assistant Police Chief; Jason Jeffcoat, Assistant Police Chief; Chris Olson, Assistant Fire Chief; Tom Pruitt, Utility Engineer; Mary Lawrence, Director of Finance; Nathan Whiddon, Wastewater Superintendent; Kevin Winkler, Public Works Manager; Eric Sandberg, Assistant Public Works Manager; Theresa Hutchinson, Parks and Recreation Manager; Jim Cross, Water Systems Manager; Nate Strauch, Community and Support Services Manager; Shawn Hackworth, IT Manager; Sean Hemperley, Parks and Cemetery Maintenance Superintendent; Melissa Eason, Library Services Manager; Mike Grant, Facilities Superintendent; Sarah McRae, Tourism/Main Street Manager; Tracy Roberts, Customer and Utility Services Manager; Andreas Liss, Environmental Code Supervisor; Chip Matthews, Neighborhood Services Superintendent; Junior Jaimes, Computer Support Technician; Teri Fine, Assistant to the City Manager; and Linda Ashby, City Clerk.

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

PLEDGE OF ALLEGIANCE LED BY COUNCIL MEMBER JOSH STEVENSON

INVOCATION BY COUNCIL MEMBER JOSH STEVENSON

CITIZEN COMMENTS

2021-2022 BUDGET REVIEW

EXECUTIVE SESSION
In Accordance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, the City Council may hold an Executive Session if the discussion of any of the items identified in this agenda, or any of the items identified below, concern one or more of the following:

TEX. GOV'T CODE § 551.071 --
Seeking the advice of its attorney about pending or contemplated litigation, settlement offers or any matter in which the duty of the attorney to the City Council under the Texas Disciplinary Rules of Professional conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act.

TEX. GOV'T CODE § 551.072 --
Deliberating the purchase, exchange, lease or value of real property if deliberation in an Open Meeting would have a detrimental effect on the position of the City in negotiations with a third person.

TEX. GOV'T CODE § 551.073 –
Deliberating a negotiated contract for a prospective gift or donation to the City if deliberation in an Open Meeting would have a detrimental effect on the position of the City in negotiations with a third person.

TEX. GOV'T CODE § 551.074 –
Deliberating the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee unless the officer or employee who is the subject of the deliberation or hearing requests a public hearing

TEX. GOV'T CODE § 551.076 –
Deliberating the deployment, or specific occasions for implementation, of security personnel or devices or a security audit

TEX. GOV'T CODE § 551.087 –
Discussing or deliberating commercial or financial information that the City has received from a business prospect that the City seeks to have locate, stay or expand in or near the City and with which the City is conducting economic development negotiations; or deliberating the offer of a financial or other incentive to a business prospect

TEX. GOV'T CODE § 551.089 –
Deliberating security assessments or deployments relating to information resources technology, network security information, or the deployment or specific occasions for implementation of security personnel, critical infrastructure or security devices

OPEN MEETING

ADJOURNMENT

CALL TO ORDER, QUORUM DETERMINED, MEETING DECLARED OPEN
Mayor Plyler called the meeting to order at 8:15 a.m., declared a quorum present, and opened the meeting.

PLEDGE OF ALLEGIANCE AND INVOCATION BY COUNCIL MEMBER JOSH STEVENSON

CITIZEN COMMENTS

There were no citizen's comments.

2021-2022 BUDGET REVIEW

Utility Issues and Utility Rate Study

Robby Hefton, City Manager, said Dan Jackson, Vice President, Willdan Financial Services, will discuss the City's Water and Wastewater Rate Study, which is the first one that has been done in many years. Previously they were done in-house, but with the growth Sherman is seeing, it was felt that there should be some analysis by a professional. He said Willdan did a great job for the City and will discuss the results shortly.

He outlined the schedule and presentations for today's meeting. At the end of the meeting, everything will be summed up for Council direction.

Mr. Jackson said their company did the Water and Wastewater Rate Study and Financial Plan for the City of Sherman. He outlined his credentials and those of his company. He said he has seen growth in the Dallas area, especially Richardson and Frisco. Through this, he has gained the perspective of how growth impacts and changes a community, and especially how it changes the water and sewer service. He emphasized that no City can survive without water resources.

He said water is also a challenge to communities such as Sherman. Water must be paid for in a way that is affordable to the community. The Rate Study they did addresses the current cost of water, as well as the cost of water in future years. The Rate Study will address the rates that customers pay; the volume of water, both with current customers, and for anticipated growth; and the cost of service. They will also review the retail rate plan and the wholesale rate plan.

Mr. Jackson said water is becoming a "more precious resource." He said the average utility is expected to increase it's cost by 5% to 6% in the coming years. The American Water Works Association forecasts that water and wastewater rates in the United States will triple in the next 15 years. He said water is a business, it produces a product, and there are costs associated with producing and delivering that product. The rates a City charges are intended to try and recover the cost of providing that service. However, unlike other businesses, the City doesn't seek to make a profit from the water. All they try to do is cover the cost.

The cost of water increases because, like everything, it is subject to inflation. There is also a cost to running a water system, which includes chemicals, electricity, insurance, worker's compensation, and employee health care benefits. These costs must be passed to the rate payers. Mr. Jackson added that it takes a lot of money to build a water system, water treatment plants, storage tanks, and piping. Those assets wear out over time and must be maintained and replaced.

He said a properly run water system, must balance the desire to keep rates low, with the need to invest in your system, to ensure that the system is reliable, and that the service is top quality. He said raising rates is not an easy thing to do, and 30% to 40% of utilities charge rates that do not cover their costs. Just because rates are low, it doesn't mean it's a more efficient system. It might mean they're using their General Fund to subsidize their water and sewer operation. While it's not illegal to do that, Mr. Jackson said it's not a good financial policy. Every dollar used to subsidize water and sewer operations, is a dollar that's not available for other critical City services.

Mr. Jackson said, the City of Sherman doesn't do that. Their water operation is self-funded, and the water rate plan they are going to provide, will enable the City to remain self-funded. The only thing the City will be asking ratepayers to do, is to pay what it is actually costing to provide that service.

He said the City of Sherman hasn't adjusted its rates since 2017. Most cities adjust their rates almost every year. He added that, Sherman's rates are about the lowest in the DFW Metroplex. One reason Sherman is able to keep the rates low is that they combine retail customers and wholesale customers.

Water is a "bulk commodity." Most of the cost of running a water system is fixed, therefore, the more product you sell, the less you charge to each of your customers. It has been very good for the City to have the wholesale and industrial customers. It has enabled the City to keep the rates low for all the customers.

Mr. Jackson said growth is also a benefit, and properly managed growth will significantly benefit a community. There is a lot of growth coming to Sherman, and managing that growth will keep the rates lower than the average.

However, the combination of increasing operating expenses, and the need to fund $95 million in capital improvements is going to fuel the need to do some novel rate adjustments in 2021 and the years beyond. Money from the ratepayers will be directly invested into the future of Sherman. The capital improvement projects will benefit the City, the citizens today and the citizens far into the future.

As for water and sewer rates, Mr. Jackson said citizens pay a combination of a minimum charge and a rate per 1,000 gallons. Most customers use a 5/8" meter, which costs $22.80 per month, with the first 1,500 gallons of water service. There are other rates for larger meters. Beyond the first 1,500 gallons, all retail customers pay a rate of $3.27 per additional 1,000 gallons. This flat rate is charged for all retail customers, residential, commercial, multi-family, hydrants, and industrial.

Wholesale water customers pay different rates based on their contracts. The City has four wholesale water customers that pay the following rates, Knollwood pays $3.27; Gunter-Marilee pays $3.43; Dorchester pays $1.53; and Panda-Sherman uses raw water, not treated, and pays $0.72.

For wastewater rates, citizens pay a service charge of $8.19 for all meters, which includes the first 1,500 gallons. After than amount, the consumption charge for each additional 1,000 gallons is $3.48, for residential, commercial, multi-family, and industrial. The two wholesale customers. Howe and Knollwood, pay $3.48 per 1,000 gallons.

Mr. Jackson said the average, residential customer in the City, uses around 6,000 to 7,000 gallons of water per month. A good comparison with other cities is at 5,000 gallons per month. A Sherman residential customer that uses 5,000 gallons of water and wastewater per month, would pay about $54.62 per month for that service. Mr. Jackson said, that is just about the lowest rate in the Metroplex. It is about 25% below the State average of $76.47, for that amount.

He said currently the City has about 20,500 retail water customers, and presented the breakdown, with the most being residential users. The question is, how will growth impact this in the future, and he felt Sherman would continue to be very competitive in the future. In FY 2021, the City sold 2.5 billion gallons of treated water, and it is expected to increase in the future. He explained that water usage will vary based on the weather.

He also addressed the amount of raw and treated water that was sold in 2021. The residential customers used the largest water volume. The second largest group was the industrial customers.

Mr. Jackson discussed the cost of the City's water operation. Components of cost include the operating expenses, such as personnel, repairs and maintenance, chemicals, office supplies; and capital outlays, such as trucks, pumps, computers, an expenditure but not one that requires debt. The most critical component is debt principal and interest, which is the debt that is issued for the large capital expenditures, such as a treatment plant expansion or a new water tower. Debt would be issued for these expenditures, with principal and interest paid annually. This cost must be recovered from the rates. The final component is the funds transfers, which are used by the City to reimburse the other City departments used to support the water and sewer operations. This would include departments such as administration, police, and fire. A well-run water operation reimburses the General Fund for those expenditures. Mr. Jackson said, it's good financial management and the City of Sherman does use transfers.

Mr. Jackson said they developed a comprehensive model that was used to project all of the operating and capital expenses over the next 10 years. He reiterated that a "forecast" is not a guarantee, but is a prediction, based on a series of reasonable assumptions. He outlined the assumptions that were used for the forecast.

These assumptions include that most personnel and operating expenses will increase about 3% per year; that certain expenses will increase at higher rates and some at lower rates; and that the City will continue implementation of its current Capital Improvement Plan, which includes about $95 million in water and wastewater system improvement over the next 10 years. He said, how this plan is funded will be the biggest impact on the rate plan. A City must balance their capital projects through existing reserves, rates, impact fees, and long-term debt. He outlined the forecasts for the water and the wastewater systems.

The Capital Improvement Plan for FY 2021 through FY 2030, which shows total projects of $94,667,000, with $67,120,000 for water projects, and $27,547,000 for wastewater projects. He discussed the projected funding sources of the plan, which include the Improvement Fund, Impact Fees, Grants, and Long-Term Debt.

He presented a chart outlining the long-term debt financing over the next 10 years for these projects. He said the terms would be for 25 years, with an interest rate of 3.5%. He said debt will increase in the coming years, but the impact will be minimized because some of the current debt will be rolled off. The City's forecast of the cost of services will increase. Currently, it's a little over $15 million, and it will increase to about $23 million or $24 million by 2030.

Mr. Jackson said they were also asked to review whether or not the City's minimum charge is reasonable, and what are the fixed costs involved in running the operation. Most costs of running a water operation are fixed, therefore most cities charge a minimum charge for water service.

The City's fixed cost of providing water service to citizens is $45.40, regardless of how much they use. Currently the City's minimum charge for water per month is $22. Therefore, the current minimum charge is covering about half of the fixed cost. The fixed cost of providing wastewater service is $35.99 per month.

Mr. Jackson presented the Retail and Wholesale Water Rate Plan. Because the City's costs are continuing to increase, and because of the need to complete the investments to the system over the next 10 years, they recommend that the City consider implementing a five-year rate plan.

The plan would feature one ordinance, with rate adjustments automatically in October of each year for a period from 2021 through 2025.

The rate plan would assume no basic change in the rate structure, but would feature a series of percentage adjustments over the next five years. The Council has the option to adopt a multi-year plan or a single adjustment, and Mr. Jackson recommended that the rate plan be reviewed every two-to-three years, because of rapidly changing growth and economic conditions. He said, even with a five-year plan, the City can reassess that plan every year and make changes. The Council could postpone or terminate some of the rate increases. Basically, a five-year plan is a roadmap.

Mr. Jackson outlined the recommended rate increases for the five-year plan, which includes a 4% increase in minimum water rates for residential customers, with the biometric rate increasing from $3.27 to $3.40 per month. This rate would take effect in October 2021. He also presented the proposed rate increase for the other four years of the plan, which would be similar. The same rate increases would also be effective for non-residential customers.

He said the study found that Sherman's water rates are "over recovering" a little, and wastewater rates are "under recovering" a little. There is also a large amount of wastewater debt to be issued in the coming years. Accordingly, they recommended a slightly higher wastewater adjustment in the first couple of years.

The recommended increase for wastewater, for the first year would be 9%, an increase from $8.19 to $8.93, with a biometric rate increasing from $3.48 to $3.79, per month. He also presented the proposed rate increase for the other four years of the plan. He said the larger increase would ensure that the wastewater rate is covering all the costs, and to fund the larger amount of debt coming in the future.

Mr. Jackson also presented a chart that outlined the actual impact on the citizen ratepayers. The average residential customer uses about 6,000 gallons per month and pays $61.37. Under the proposed plan, that customer's bill would increase by $3.65, which is a 5.9% blended increase. If the customer uses the minimum amount, and a lot of older, fixed income customers do, they currently pay $30.99, and their increase would be to $32.64, $1.65 more, or a 5.3% increase. He said under this plan, the "vast majority" of rate payers, would pay about $3 more a month.

For a commercial customer that uses 20,000 gallons of water per month, and pays $287.01, the rate increase would only be $15.11. Because Sherman's rates are so low, any increase by percentage is going to "sound" like a lot. But in reality, the dollar amount is very low. He also outlined the proposed rate increases for future years.

Mr. Jackson also compared the proposed rate increase amounts with the rates of other cities. In Sherman, a 5,000 gallon monthly water customer, in 2025, would be paying $68.72. That's still lower than most other cities current rates and still under the State average, now! He also said, that "virtually all of these cities" will be raising their rates in the next five years. He said, even if Sherman adopts this five-year plan, their rates will still be among the lowest in this area, and these rates will allow you to do $95 million in capital improvements, for the future.

Many cities in the Dallas-Fort Worth area, get their water from the North Texas Municipal Water District, as does most of the Collin-Denton County corridor. Over the last several years, NTMWD has been doing some significant rate increases. They are building a major new reservoir, called the Bois D'Arc Reservoir. He said, over the last few years, NTMWD's rate adjustments have averaged 8.5% annually. He reiterated that Sherman needs to raise their rates, just to cover their cost.

Mr. Jackson said one reason Sherman's rates are as competitive as they are is because of the wholesale rates. It showed a lot of foresight for the City to enter into these wholesale contracts, because it has benefited all the ratepayers.

There are four major water wholesale customers. Knollwood, whose rate is equal to the residential customers; Gunter/Marilee, whose rate is the residential rate, plus 5%; Dorchester, with a contractual rate of $1.53; and Panda, who buys raw water at a contractual rate. Howe and Knollwood are also wastewater wholesale customers, paying the same rates as the residential.

They are recommending the same percentage of adjustments for these customers, as is done for the residential customers. Everyone will be sharing in the sacrifice, as necessary, to ensure that the water supply will be available to them, at continued competitive rates. He said, Knollwood, and Gunter/Marilee are paying a rate that is about where the cost is. Dorchester's rate is currently a little less than the cost. Panda-Sherman is paying a little more than their cost. He said, for the most part, the City's wholesale customers are paying about what it is costing to provide them with water.

He discussed the proposed rate increases for wholesale customers versus the cost of services. The proposed rate increase will recover "slightly more" than the cost of service, which is important to build a little contingency. He said it will continue to maintain a very healthy financial utility for the coming years.

He said, in summary, it's never easy to ask citizens to pay more for anything, and if they are asked to pay more, they want to know why it is beneficial to them and to the community. Implementing this rate plan, will enable Sherman's utility to continue to operate on a stand-alone basis; will continue to be independent of General Fund assistance; costs will continue to increase, whether rates or increased or not, so this rate plan will allow the City to cover those increasing costs; it will give the City a very financially healthy utility. All the City would be asking the ratepayer to do, is pay what the service is costing. It will also give the City the ability to make $95 million of investments, that will improve the quality of service and provide a system that functions as well today and, in the future, as it has in the past.

Mr. Jackson "strongly recommended" that the City of Sherman implement this five-year plan.

Mayor Plyler asked Mr. Jackson to discuss the impact of additional customers on the proposed rate plan. The City has several areas of large developments of multi-family, that are about to come on line, probably next year. He asked how the plan would account for those customers. If the number of customers increases, and the costs increase, how does that affect the situation.

Mr. Jackson said that the growth that the City has experienced and will experience in the future, will benefit the rate plan. Sherman's rates are not as high as they would otherwise have to be, if you were not looking at growth. The City will add several hundred new accounts every year, you may have to hire one or two additional operating crew, but you won't have to double employees. While costs will increase, they won't increase nearly as much as the new accounts will increase. Every new customer is a new minimum charge monthly, but it's not costing much to add those new accounts. Basically, it's "economies of scale." A new account doesn't double the costs of one account.

Council Member Teamann said the proposed five-year plan is "front-end loaded," and the costs are "back-end loaded." He asked what the purpose was of not averaging the rate increases over the back several years. Next year might not require a rate increase, so why not streamline between the rate increases over 2022 through 2025, and not increase in 2021.

Mr. Jackson said that could be done, it does keep the rates lower for a longer period of time and offer a "smooth" increase. However, there will be a lot of debt in the next two years, and the City needs to meet the debt service and the debt coverage requirements. Coverage is a portion of debt, that requires a City to recover more than expenses to provide a cushion for the lenders. Rates should cover this cushion.

Mr. Jackson said the City could do a smooth rate increase, but he felt that it would make things pretty tight in 2023 and 2024. He felt it might result in "under recovering" in a couple of years. If the Council wanted to "back-load" the increase instead of "front-load" it, they have that option. The rate increase like this, would be basically $3 per month, every year.

Council Member Teamann asked if it was typical to sell wholesale water at breakeven rates. Mr. Jackson said it is not uncommon in the industry. As the contracts expire, he recommended that the City explore the costs. A wholesale customer is not "an owner" of the system. They buy water from the City. The City takes all the risk of developing a water system, and supplying water to them. Under rate-making methodology, the City is "entitled to a return." As contracts are renegotiated in the future, he "strongly encouraged" the City to consider a contract that allowed them some return on the sale of wholesale water. It doesn't have to be a great return, but it could be something that compensates the City for supplying the service.

Mayor Plyler asked, how far the City was behind in rates now for compensation. Mr. Jackson said the City is currently close to "break-even" level. This year it is projected that they will be just a little below the cost. The projection is that the net revenues will be negative $473,000, but that is within the margin of error. Mr. Jackson clarified that the negative revenue projection is without rate adjustments. They must also remember, that water sales is also based on weather, and that can make a big difference in the revenue. However, he cautioned, that if the City doesn't do the rate adjustments, they will fall even farther behind.

Council Member Steele asked about transfers. Mary Lawrence, Director of Finance, said there are administrative costs from other City departments such as streets, that provide some services to the water and wastewater systems. They are charged a "franchise fee" to cover the costs of other departments.

Council Member Steele verified that transfers weren't being used to "prop up" other funds. Ms. Lawrence said that has been done in the past, in other funds, such as the Group Health Fund. Council Member Teamann said those transfers in and out, can change dramatically each year. Mr. Hefton said the transfers that were previously described, do not vary. It is a financial calculation that is done each year. When the Group Health Fund needed "propping up," or once with the Utility Fund needed "propping up," that is an example of using fund balance in one fund to prop up other funds, as needed. But that is not on-going, that is a one-time use of fund balance.

The transfers that Mr. Jackson described are exact and don't change. They are the ones that are done by a financial calculation each year.

Council Member Howeth said this presentation has made it clear that the City is falling behind and has an opportunity to catch up. She felt the citizens might be more accommodating after the winter storm that caused power outages at the Water Treatment Plant and Wastewater Treatment Plant, in February 2022. They will better understand that water needs to be readily available and the equipment needs to be updated. Deputy Mayor Holland also felt the City was at that point. Council Member Melton felt it should have already been done.

Council Member Howeth said she did not realize Dorchester was paying such a low rate for water. Mr. Hefton said they have paid that for about 30 years. He said when the contract expires, they will “fix” that, and will give them notice of a rate increase. Council Member Howeth felt the rate should be at lease equal to the rate Sherman citizens pay.

Council Members discussed how a multi-year rate plan would be adopted. Mr. Hefton said, even if the five-year plan is adopted, it would be reviewed annually by the Council to see if adjustments needed to be made. He said ordinances change all the time. The Council would adopt the results of the plan, with either the smooth or percentage rates. He added that Standard & Poor, the bond rating agency has said that Sherman will “get dinged” if they don’t adopt the rate plan. At that point, the Council should probably review the rate plan annually during the budget preparation. He said there will be a lot of growth coming to Sherman and a lot of new water accounts.

Council Member Teamann said, for him personally, any fee that is charged is a tax on the citizens. He understood that the bond rating might suffer because there’s not enough revenue in the General Fund. He felt the Council has done a good job with being efficient with the money they had. He felt the City should keep all fees as low as possible for as long as possible.

Mayor Plyler said this fee is not a tax, because the citizens are paying for a product. If costs aren’t covered, it comes out of the General Fund, and there will be less money for streets, and all the other services that must be paid for. The cost will be paid, whether it’s with a rate increase or not. He said if the General Fund starts paying for these services, then that is a tax. He felt it was good to have a plan, but it did need to be reviewed annually. He said the bond rating agencies said we should have a plan, and he felt that was a good idea to keep the bond rating up.

He felt the citizens needed to know the Council is serious about maintaining the infrastructure, such as water, sewer, and streets, throughout the City. He said with all the new development coming in the future, he felt that might take care of some of the cost, instead of rate increases. Mr. Hefton said a clause could be added to the ordinance adopting the five-year plan, that the City Council will annually review this.

Council Member Howeth said she liked the idea of a five-year plan, but she liked the more constant rate increase, as opposed to the front-loaded plan. Council Member Stevenson felt the City would “get dinged” by the bond rating company anyway. He said money is cheap right now and if they front-loaded the increase, they could borrow more for less in the future. Council Member Steele felt it was important to build reserves, but thought the rate increases could be less in the future. He said, even with the increase over five-years, Sherman’s rates are still very low compared to other cities.

Mayor Plyler added that, as additional streams of revenue open up, and other water customers come on line and buy Sherman water, the City might be able to add another City or to serve some of the Denison customers on the southern quadrant. He felt it was good to review the rates annually.

Council Member Stevenson said the City would have the option to “take no action” in the future if the rate increase was not needed.

Mr. Hefton clarified that the Council wanted a flat rate instead of the "waterfall" rate. He said the rate was 7% on wastewater and 4% on water, for a blended rate of about 5% to 5.5%. The Council will adopt the five-year plan, and review it annually. Council Member Howeth reiterated that they are just trying to recover the cost of the service, and said they shouldn't be losing money.

City Council Members took a break from 9:41 a.m. to 10:03 a.m.

Environmental Code Enforcement
Nate Strauch, Community and Support Services Manager, presented a report on Neighborhood Services, which has been a project of the Council for the last couple of years. Neighborhood Services is comprised of Code Enforcement, headed by Andreas Liss, Environmental Code Supervisor, and the Quality Neighborhoods Program, headed by Chip Matthews, Neighborhood Services Superintendent.

Duties of the Code Enforcement Department are to police the bulk trash program, parking in residential yards, trash in yards, unmowed grass, and "bandit" signs that are placed in the right-of-way.

About four years ago, the Quality Neighborhoods Program was revamped and Mr. Matthews was brought in. The program has made substantial gains since that time. They also took over the junk vehicle enforcement from the Police Department, and the commercial CO enforcement program, which was focused on the Houston-Lamar Street corridor.

Mr. Strauch said the Council directed the staff to "take a hard look" at bulk trash enforcement. There was a major problem, especially on the east side, of people putting their trash curbside when it was convenient for them, instead of putting it out or their monthly pickup week. They also put items such as tires and refrigerators, in with their bulk pickup, which are items that the City doesn't pick up, and they mix their bulk brush with their bulk trash.

Mr. Strauch said since they started focusing on this, they are using two full-time employees on the program, and have written 1,486 citations in the last year, which have produced about $70,000 in revenue. The most common issues they deal with are trash placed out on the wrong week, mixed trash with limbs, and disallowed items.

He showed several photos of trash accumulations or parking on unimproved surfaces, and junk vehicles that they have dealt with. He explained that high grass is a seasonal problem, but takes up a tremendous amount of time in Spring and Summer. In cases of high grass, where the homeowner cannot or will not remediate the situation, the City arranges for mowing and places a mowing lien on the property.

Bandit signs are removed seven days a week, not every week, but also on the weekend to catch the signs that are put out on the weekend. He said people don't realize how many of these signs are put out each day, but if they stopped picking them up, it would really be noticeable.

Mr. Strauch said prior to FY 2017, the department had two full-time employees and did reactive enforcement instead of proactive. They weren't patrolling or looking for violations. After 2017, they moved to proactive enforcement and added staff to the department. At Council direction, they actually went into the community and looked for violations. They added a fourth full-time employee in FY 2019. With that fourth employee, case numbers have increased.

He said bulk trash is the biggest issue for this department and takes up nearly 50% of the resources. To alleviate this, Mr. Strauch said the program rules could be changed, the responsibilities could be offloaded to the Solid Waste Department, additional staff could be added to pick up the slack, or, he said they could stick to the status quo. This program is under City Council direction, and he said staff understood it was a priority for them.

Mr. Strauch said ideally, they would like to have four employees that would each handle a quarter of the City, and one employee to focus on code violations. Council Member Melton verified that they currently had four employees. Mr. Strauch said the bulk trash program is taking up two of the employees, 100% of the time.

Council Member Melton questioned how the program worked. Mr. Liss explained that the bulk trash pickup moved to a new quadrant of the City each week. Currently they have one officer in front of the active quadrant, and one officer behind that quadrant. One contacts and educates the people that put their bulk trash out too early, and the other that puts their items out too late. This makes the bulk trash pickup more efficient for the Solid Waste Department when they come through with their pickup. Mr. Liss said, as a result, they are having a lot less abatement.

Council Member Melton asked how the employee time was divided and who was billing for the violations. Mr. Liss said he is the supervisor, with three staff members. Two staff members are running solid waste, 100% of the time. The other staff member, Katie Turner, runs the southern half of the City for code violations, and Mr. Liss runs the northern half for code violations himself. Ms. Turner has also learned the billing part of the job and inputs all the billing for solid waste.

Council Member Howeth said this is a priority for the Council. Council Member Stevenson said if the staff has to spend half of the code enforcement time in policing the City's program, then it's not working right.

Council Member Steele said, with all the education that has been done, are the violations going down or up. Mr. Strauch said it went up when they first started doing it, then it dropped off. But now that they're fully staffed, violations have gone back up. Council Member Steele said more people are "finding" violations, not that violations are going down. He said the City used to do a Spring/Fall pickup or they could do a one-time pickup, or even a drop-off center.

Terrence Steele, Assistant City Manager, said if the Council wants to say, after two violations, the fee will go up to $500, it will be implemented tomorrow. Council Member Teamann said, whatever is being done, is not stopping the problem. Mr. Steele said the majority of the violations are Spanish speaking citizens. He said they are trying to educate them about the program and the flyers are in Spanish and English.

Council Member Melton confirmed that the fine is $100, and the fee depends on the size of the bulk waste. Council Member Melton felt the fine should be increased to $500 for the second offense.

Council Member Stevenson asked, what if the City simplifies the program, and allows two free bulk pickups annually, made by appointment. Other Council Members felt it would increase illegal dumping of items.

Mr. Steele said they currently know the length of time it takes to run a specific district for bulk trash pickup. With a call-in system, he felt the City would begin getting complaints about items being left curbside.

They discussed various ways to handle the bulk pickups. Kevin Winkler, Public Works Manager, said they currently have 12,000 customers, if each one gets two pick-ups, that's 24,000 pickups annually. Or course, not everyone calls for a pickup. But Mr. Winkler said he couldn't do appointment pickups from all over the City. Council Members again discussed different possibilities.

Mr. Hefton said the staff will do whatever the Council directs them to do. The direction came from the Council because the City looked "tacky." He asked if the City looked better.

Council Member Teamann felt that the City should provide a twice-a-year pick up. Mr. Steele said the staff will go in any direction that is given to the City Manager. He said they will get complaints from realtors and business owners, saying they brought someone to the community, and trash was "all over the place."

Council Member Howeth suggested that every City employee become a "code enforcement officer" and if they see a problem area, trash or grass that is too high, report it. They wouldn't be authorized to write tickets, but they would report it. Mr. Liss said they do get a lot of reported issues from staff.

Council Member Steele said the staff is spending the bulk of their time on the trash program. He said people are still dumping shingles and things like that. He addressed the auto repair shops that are leaving cars parked out in the front of their businesses. He said they are seeing some improvements, but is it enough to continue the program.

Mr. Steele said there are 12,000 water accounts, with 10% of violations, which means that 90% of the people are doing it right. Council Member Steele said 100% of the people don't use the program, and asked what percentage are actually using it. Mr. Steele said they would start tracking that data, to see how many people actually use the service.

Mr. Strauch said he felt that most people use the program so infrequently that they forget what the rules are. Mr. Liss felt that if a three-month assessment of July, August, and September was done, that would be a good determination. The assessment should include how many they're picking up, how many they're notifying, and how many they are abating.

Mayor Plyler said the citizens are busy and they're working in their yard, as they have time. When he does this, he places it curbside and calls for a special pickup. A special pickup does cost the citizen, but he can only do cleanup on certain days. He felt there might be a way to address the issue, but didn't know if that was a Spring/Fall pickup.

Council Member Stevenson recommended a Spring/Fall pickup, and a call and request $28 pickup fee, which would keep everyone working, but they wouldn't spend all their time doing violations.

Council Member Melton felt the second violation should carry a heavier fine.

Mr. Strauch outlined the history of the Quality Neighborhoods program, which originally had one dedicated employee. At that time they were demolishing up to 20 houses annually. In March 2018, the Council approved the hiring of a Neighborhood Quality Coordinator, and Mr. Matthews was hired in May 2018.

Demolitions were done by independent contractors, and the City was paying a higher fee for demolition. Also, if the contractor received a better offer for another job, they would accept that, leaving the City job undone. Mr. Strauch said the City was demolishing about 40 to 60 houses annually, at that point. The goal was to do about 100 houses annually, and they weren't going to do that using outside crews.

In January 2019, the Council approved a City demolition crew, and the three-man crew was hired and was fully operational by July 2019. In July 2020, in response to the Council's direction regarding junk vehicles and commercial enforcement, they added another administrative employee to the department. This person works almost exclusively on junk vehicles and commercial compliance.

He outlined the number of junk vehicle cases, saying it definitely increased, once the new employee was hired. This also resulted in 527 cases that were the result of the commercial cleanup. These cases include everything from a car parked on the street that doesn't have any tires, to removing hundreds of junk vehicles from private property.

Mr. Strauch said substandard structures are the main focus of the program, and by adding the City demolition crew, they were able to exceed the goal of 100 structures, for 2020. Moving forward, he expected that they would continue to be able to demolish 100 substandard structures annually.

Mr. Strauch said moving the work in-house has allowed the staff to demolish more substandard structures, and to do them quicker and cheaper. Hiring the crew saved the City approximately $200,000 over the entire cost, if they had been able to hire an outside demolition crew. They originally hired a three-man crew, but he explained that it proved to be unnecessary and the crew was downsized to two, full-time employees. The crew also utilizes an excavator, one skid-steer, and a 40' dump trailer.

He addressed the budget for the Substandard Structure Program, which comes from the General Fund and from Community Development Block Grant funding. CDBG funding is used a lot to remediate these structures, however they are limited as to the location they can use this funding. Mostly CDBG funding is used for structures on the east side of Sherman, and a couple of neighborhoods on the west side.

The General Fund budget for the program has increased, per Council direction. Mr. Strauch felt the budget would "stabilize" from this point forward, and that they have reached their maximum capacity with what they have.

Mr. Strauch mentioned the reinvestment of demolished property, which is ultimately the end goal, and takes several years to "come to fruition." The process involves finding the house, contacting the owner, receiving permission to tear it down, tearing it down, then the owner has to either build a new house on the property or sell it to someone else that does. It takes about three years between the time a house is identified as a substandard structure and someone can actually build on the property.

He showed photos of houses that had been demolished and the new structures that were built on the property, and also cited the City tax increase that was realized on the property. He mentioned the time it takes in taxes to recoup the demolition fee, which is definitely a shorter period by using the City demolition crew. Of the 21 properties that have been demolished, most are located on the east side of Sherman. The oldest and most dilapidated homes are located on the east side, and also CDBG money can be used there.

He said the newest focus of the program is for commercial structures, which are major cases with major workloads. These are typically cases that are taken to court, and that require a lot more work on the backend and on the frontend. Each property requires an asbestos test, and if it comes back with asbestos, it must be abated. These cases are more expensive, take more time, and are much more resource intensive.

He showed a commercial structure at 201 South East Street that had 125 vehicles parked on the property. Once the vehicles and the dilapidated structure were removed, they found a giant underground storage tank which had to be removed and remediated.

The Council had also asked the staff to take care of the old Wilco property at 803 East Houston Street. He said if a retail demolition crew had been hired, it would have cost about $30,000 to remediate. After 1.5 years of work, Mr. Matthew's crew was able to clean it out for less than $8,000.

Mr. Strauch said there are three "eras" in the Quality Neighborhood Program. The time prior to hiring Mr. Matthews, they spent mostly CDBG money and could only complete 15 to 20 structures annually. After Mr. Matthews was hired, the program was expanded, but they were still paying retail prices for demolition. They were able to do about 40 to 60 structurers at this time. And finally, after the demolition crew was hired, they could complete between 100 and 120 structures annually.

There is an increased cost on commercial structures, and they only did one or two properties prior to hiring Mr. Matthews. Most commercial properties have asbestos and it is very costly to abate asbestos. Since the demolition crew has been set in place, they expect to be able to complete five or more commercial properties annually. To go beyond that, Mr. Strauch said the program would need additional resources.

In summation, Mr. Strauch said they should be able to abate 100 plus residential structures and "a handful" of major commercial projects annually, and the budget should be stabilized. If the Council wanted to accelerate the program, a second demolition crew could be added. Costs to add another crew are estimated at $500,000 for equipment; and $150,000 annually for ongoing crew expenses; plus additional tipping fees. There are still over 750 houses that have been identified as substandard in the City limits.

Mr. Strauch discussed the possible creation of a Central Business District building registration ordinance. If the Council would like to do this, an ordinance would be needed that required an owner of a building in the Central Business District, that is not actively producing income or actively being used, to register the building with the City and to tell what you eventually plan to do with it. The goal of the program would be to encourage these speculators that own buildings in the Central Business District to utilize the building. The property needs to be redeveloped so it can be rented, or moved to an owner that will redevelop it. The registration framework would be a first step in the process. This would also help the City determine which buildings were eligible for demolition.

Council Member Stevenson had recommended reviewing the building registration ordinance that is being used in Paris, Texas. Mr. Matthews actually helped draft that ordinance. There is a small, annual registration fee, but it gives the City needed information to keep track of these things, and provides an incentive for development.

If the Council wants to move forward with this program, Mr. Strauch recommended adding one full time employee, a clerk to manage it.

He presented the requested budget to keep the program status quo, but said they would like to add a clerk this year, to help move the cases through the court system. With that position they would hope to increase the commercial demolitions from five to ten annually, to at least ten annually. If the Council wanted to really accelerate the program, they could add the second demolition crew.

Mr. Hefton asked for Council input on the Quality Neighborhood Program.

Council Member Melton asked if an additional clerk could be used from another department, such as the Police Department. Council Member Stevenson said the Central Business District ordinance is something that has been discussed with the downtown business owners. Other cities have ordinances that require the building owners to register those empty or derelict buildings, as “non-usable” buildings. They would need a plan to do something with the building or know that they would pay an additional fee on top of other costs. The goal is to encourage redevelop in the downtown area.

Council Member Melton asked about the implication of “historical” buildings. Council Member Stevenson said they aren’t talking about demolition, if they can help it. There’s a couple of partial buildings that burned years ago and there are only a couple of walls standing. The owner has no plans for these buildings.

Mr. Hefton asked if the goal of the program was to obtain a centralized database of all the derelict properties so they can be marketed. Or is it punitive, and if the owner doesn’t do something in a certain amount of time, then they would be fined. Council Member Stevenson the goal would initially be for marketing, and then maybe, eventually punitive. Initially, it would be to determine how many properties are derelict, then the Council could determine if they wanted to do something else.

Mr. Strauch said looking at the focus of the program, if there is a building that is uninhabitable, someone couldn’t be living in it or get a Certificate of Occupancy to use it, there are two options. They could either, get it in the condition that it is usable, or the City can tear it down. Once the database is compiled, if a business owner is not willing to do something with their property, then Mr. Matthews would be waiting to tear it down.

Council Member Stevenson said to start moving in that direction, it would be registration only. Then it could be brought back to Council to see if they want to move forward with tearing them down.

Mr. Hefton asked if there were any resources available from outside organizations, that could be used to help develop this program, instead of only using City resources.

Mr. Matthews mentioned a couple of examples from other cities and what they’ve done with their downtown. He said his vision for Sherman’s downtown is foot traffic, retail, dining, and entertainment. He said “sometimes you have to get rid of the old to bring in the new.” He referenced seven buildings downtown that have no roof and four walls. He said, if they were gone, there would be room for revitalization.

He did not recommend that the clerk be a Police Department employee. That clerk would be preparing Sherman’s court cases for Municipal Court of Record and taking the workload off the current Court Clerks.

Mr. Hefton said the question is, if they want to do anymore that the staff is currently doing, they need more. If the Council is okay with what is currently being done, and at the levels that are being done, then the budget is fine.

If the building registration is a downtown initiative, are their downtown people that can help create the database. Council Member Stevenson felt that a full-time clerk position was needed to make the database and complete all the paperwork.

Mr. Strauch said staff could probably compile the database, however if the Council wants them to "act" on the database, then they probably would need a physical employee.

Council Member Teamann felt it was okay to prepare a database of dilapidated buildings, but when it came to tearing them down, that might require more conversation. He felt the City must recognize the problem before they decide what to do about it.

Mr. Hefton said the original program started only to address residential substandard structures, and then, because of the success, it grew. He added that the program is now at capacity and the staff can't do any more, without additional resources, including employees.

Council Member Teamann asked how many residential houses would be considered the equivalent of one commercial job. Mr. Strauch said there were many unknowns on a commercial job and they never really knew what they might run into, such as the underground storage tank on the Wilco property. Mr. Matthews said they currently demolish 1.5 residential houses every week.

Council Member Howeth liked the idea of having a database of downtown properties for development, and felt it would be beneficial to tear down some of the dilapidated commercial buildings.

Mr. Hefton mentioned the possible use of Tax Increment Reinvestment Zone dollars for abatement. He clarified that the Council did have an interest in doing the database and getting the program up and running, maybe using the TIRZ money to start doing abatements. They would have to consider how the additional staff would be paid for. They can use TIRZ money as seed money for starting the program. Council Members wanted to maintain the status quo on the Quality Neighborhood Program that is currently being done by Mr. Matthews.

Mr. Matthews said there are many smaller commercial structures all over Sherman, that if the buildings were demolished, the property would sell. He said the buildings are what's stopping the redevelopment. Mr. Hefton felt there was plenty of dilapidated buildings in the downtown area to work with.

Mr. Strauch said the staff will bring back a draft ordinance for the downtown building registration and will work to "backfill" using TIRZ money to bring a clerk in.

City Council Members took a lunch break from 11:31 a.m. to 11:51 a.m.

Planning Update – Comp Master Plan
Rob Rae, Director of Development Services, outlined the discussion on a Comprehensive Master Plan Update for the City. He explained that the State has given the City the ability to create a Comprehensive Plan to guide the development, growth, and infrastructure improvements in the City. The Plan is a vision for the future and considers the entire geographic area of the City and the Extraterritorial Jurisdiction.

Comprehensive Plans are updated as needed, generally every 5, 10 or 20 years, depending on growth. The Plan forecast can vary from 10 to 50 years, and these visions and goals are developed through community outreach. Because development and trends change, the Comprehensive Plans should be updated regularly.

In the past 12 years, new residential building permits have greatly increased in Sherman. In the 2009 Master Plan, the consultant said if the City had 200 new building permits a year, they would hit their growth projection. In the last three years, the projections for 2021, the City will surpass the 200 building permits per year.

Mr. Rae defined zoning, land use, and future land use, as it applies to the Comprehensive Master Plan. Zoning establishes the types of uses permitted on a parcel of land and sets development standards. Land use refers to how the land is used, including residential, commercial, and industrial. Future land use sets the board direction on how a community wants to develop in the future.

In Sherman, there are eight zoning districts, and each district has its permitted land uses. Future land uses are a broad category of usage. A Future Land Use map is also designed to outline development in the City.

When an applicant comes into Development Services, they must review the plan and make sure it coincides with the future land use for the property in question. But it must also fall into the correct zoning district. Some new development doesn't meet the future land use from the Master Plan, that's why it's important to update the Plan regularly, to be consistent with how the Council wants the City to grow.

The Council has said they want to see things such as smaller lots and townhomes in different districts. As part of this project, Mr. Rae said they would refine these land use categories to have the multiple zoning districts that the Council wants.

Comprehensive planning is not new in Sherman, and the first Plan for Sherman was done in 1919, by George Kessler, a renowned City planner and landscape architect. He was responsible for plans such as Dallas Fair Park, Hermann Park in Houston, and Hyde Park in Kansas City. Mr. Rae highlighted several issues that were covered in the Kessler Plan.

Other Comprehensive Plans for Sherman have been done in 1950-1951, 1967-1968, 1988, 1998, and 2009. The staff is proposing an update to the Plan in 2022, covering the following six core elements. These elements are land use and urban design, housing and neighborhoods, transportation and mobility, parks and trails, infrastructure, and economic development. A Water and Wastewater Master Plan is currently underway to update this infrastructure and the Parks and Trails Plan has recently been updated.

The vision for the Plan should be developed by the community, and not by the consultant or the City staff. It should be a simple document that every citizen could understand, and not overly technical. Mr. Rae added that the Plan should be used and referenced often, once it has been adopted. The scope items that the City would be looking for include public outreach and public meetings, technical analysis, and an update to the Comprehensive Plan document.

Key tasks that would be involved include developing the vision for growth in the community. This requires public involvement and outreach, both virtually and through surveys, and could be done in public meetings with feedback. They would need to examine existing conditions and current land use conditions, and develop a future land use plan, which identifies new zoning districts.

Another key task is to incorporate information from other Master Plans, such as the Water and Wastewater Master Plan, Parks Master Plan, and the Transportation Master Plan, which was developed by the staff.

Mr. Rae presented a schedule for the Comprehensive Plan, beginning in Fall 2021, when they would select a consultant to assist in development and determine the Advisory Committee. The schedule continues through Summer 2022 when they hold public meetings and finally consider adoption of the Plan. The Plan would also be coordinated with the Water and Wastewater Master Plans.

Mr. Hefton said Kendig-Keast was hired as the consultant for the 2009 Comprehensive Master Plan, and they did the entire project. However, since Mr. Rae is a planner, he can step in and do many of the administrative, managerial aspects of the Plan. Mr. Hefton asked Mr. Rae to lay out his vision on how the project should be done, including what consultants might help with and what could be done in-house.

Mr. Rae said, typically, for a City the size of Sherman, a turn-key Comprehensive Master Play would cost between $300,000 and $500,000. The contract with Kendig-Keast was just under $300,000 in 2009, for the turn-key project.

He said his proposal is a "slimmed-down" version of that, where a consultant would be hired to "do the visioning," the public involvement, and the land use plan. He estimated the cost would be closer to $100,000. City staff would do a lot of the internal items. This year's budget also includes some software, needed for the project.

Mr. Hefton verified that Mr. Rae felt he could handle his normal day-to-day responsibilities, the Planning and Zoning Commission, and this project, without things falling behind. Mr. Rae said he did feel he could do that, and was used to working "consultant hours." Hiring a consultant to help would also help with the plan to handle the project internally.

Mr. Hefton said Mr. Rae has been on the "consultant end" of things and has been a consultant for the City, and he would serve as the point man on the project. He said he does have the technical expertise to handle the project.

Council Member Melton liked the fact that the Plan would be done in-house. Deputy Mayor Holland verified that the Comprehensive Master Plan could be used for a "long time" and should be good for 10 years.

FY 2022 Financials and Work Plan
Staffing and Benefits
Mr. Hefton said he would "wrap-up" everything that was discussed during the last couple of days and then discuss the financials.

He addressed items that have been built into the budget, as it currently stands.

- 2% + 2% - base pay for all employees increase by 4% (2% would be in 2021 and 2% in 2022)
- Various market adjustments
- Contribution to HSA - $600 per employee
- Total proposed employee positions for 2022 would be 482 (new positions include Civil Engineer, Engineering Inspector, 2 Building Inspectors, Cemetery/Grounds Maintenance Worker, Motorcycle Officer, Inflow and Infiltration Worker, Equipment Services Shop Forman, IT Helpdesk Supervisor)

Mr. Hefton said at the Planning Meeting, the Council asked for additional detail on the City's debt. He presented information on the non-utility debt. Utility debt is issued through the Greater Texoma Utility Authority and shows up on the City's books as "debt service payments," which is an expense and not a liability. He said $7.8 million is the projected non-utility debt service for 2022. Most of this debt is Certificates of Obligation, however there are some other issues such as Tax Notes. Mr. Hefton also presented a list of items that the Tax Note funding for FY 2022 would be used for. Most of the items are equipment, but there are some smaller projects or items listed.

He also presented a preliminary estimate of how the tax rate would be split. The tax rate would still be subject to the calculation of what was formerly called the "effective tax rate" and the "rollback tax rate." The rate is below the "voter approved tax rate." Even after issuing the Certificates of Obligation and the Tax Note debt, it leaves the tax rate unchanged. He also presented the outstanding CO/Tax Note debt and said, over the next 25 years, this debt will be paid off.

He presented total debt service by year, broken down with interest and principal annually, and types of debt service by year.

Mr. Hefton said he has gathered Council input from several sources for the FY 2022 Budget. Council Members want to continue with downtown improvements and want to take care of what the City already has. Smaller projects, that were specifically requested by Council include Martin Luther King Restrooms, Fairview Basketball Court, and Moore Street. Also, complete projects that were already started, such as the Police Headquarters and Brockett/Broughton Street. And no tax rate increase.

He mentioned several items from a planning and operations standpoint, including an increased street materials budget; fleet and equipment purchases; Tax Note financing on various equipment and projects; Environmental Code continue as-is; do the downtown focus, with inventory, and manage those structures, possibly using TIRZ dollars for the remediation; and additional street rebuild possibilities.

Mr. Hefton said plans will be brought back for the downtown inventory and for the additional street rebuilds, to determine how those projects will be handled.

In summation, he said there will be no change in the tax rate, and the 5-year utility rate plan that calls for an annual review of the rates. There will be no change in the solid waste rates.

Financial & Council Direction

Ms. Lawrence presented financial highlights of the budget and the specific funds. The proposed budget maintained the current property tax rate of $0.489 per $100 valuation, however the components changes. She explained that $0.03 went from operations to debt service, to pay for the 2021 CO. Six new positions were requested, due to the growth in the City.

The Utility Fund Budget includes the 6% increase for water and sewer rates, which will be adjusted for today's discussion.

She said they are projecting the receipt of $700,000 in the Solid Waste Fund, from the Texoma Area Solid Waste Authority. The budget also includes $555,000 for additional fleet.

In the General Improvement Fund, the staff will complete several street projects, and begin projects such as the Police Headquarters, and some smaller projects.

She addressed fund balances for the various funds, saying that there are 84 days of reserves in the General Fund, however there will be some challenges with the sales tax. The Utility Fund is projected to have 66 days of reserves, after adjustments from the General Fund and the 6% rate increase. The Solid Waste Fund is steadily building, thanks to the distribution from TAWSA, and is projected to have 62 days of reserves. She said the TASWA distributions are critical to the health of the Solid Waste Fund, and without them, she said the City would have to be "doing something different" in this fund.

Mr. Hefton said, once the number is adjusted from 6%, down to whatever the number ends up being, if that number reduced reserves below 60 days, the staff will "fix" that through transfers, probably from the General Fund. He said, the staff will bring back a plan, that all the major funds are still within that 60 to 90-day window for reserves.

Council Member Melton asked what Ms. Lawrence through could be done if the TASWA distribution stopped. Ms. Lawrence said you either have to increase revenue or decrease expenses. Mr. Hefton said the rates are in excess of what's needed for TASWA to do their operation. He said he thought of it as a rebate of the gate rates that are too high. They are still well below market, and he felt that should be an annual distribution. Council Member Melton questioned whether or not TASWA felt that way. Mr. Hefton felt that the distribution would probably continue every year now. Ms. Lawrence said, ongoing, the three major funds are balanced.

Ms. Lawrence explained sales tax issues, due to COVID-19, from previous years, and a large audit adjustment from a construction company. Apparently, some construction companies pay all their sales tax up front, then they ask for a rebate for all the sales tax they paid. There is nothing the City can do about that, but they do try to adjust the sales tax numbers to reflect what a normal year would "look" like. Another large effect was from the Federal Government's stimulus money, which caused a great increase in sales tax for May 2021. She said there was no consistency in the sales tax sales. The February 2021 ice storm also affected sales tax.

With property tax, Ms. Lawrence said they expected to see about the same level of growth as in years past. Since 2011, they have added $1 billion in value to the tax rolls, in growth and existing value. Sherman is unique from other Cities, in how they provide water and sewer services to citizens. Most cities receive their water from another water utility district. They may pay for debt, but it's built into their rates and it's not on their books. Ms. Lawrence compared several cities property tax rate and debt rate with Sherman's rate.

She also presented the Utility Fund budget, including the 6% rate increase, and the water and sewer revenues. The Solid Waste Fund is recovering from a decrease in revenue from the solid waste rates and increase in commercial solid waste. The fund balance should be at $1.3 million, up from $628,000. Revenue for this fund is up about 3%, with commercial being up about 6%. Mr. Hefton said, if you removed the two TASWA payments, then the fund balance would be zero. He felt that disbursement would also be available in 2022.

Ms. Lawrence addressed transfers between funds, and reminded Council that one purpose was to reimburse a fund for services provided by other departments. Debt service is another purpose of a transfer. The bond covenant requires the City to set aside funds to make the debt service payment. Every year, with the budget, some of the TIRZ money is budgeted to go to the Debt Service Fund to pay the TIRZ debt service. Money is transferred from the fund that generates the revenue to pay the debt service related to that fund. Transfers are also used to fund capital projects such as through impact fees, and to prop up funds, as needed.

Council Member Howeth asked if the hotels were all up to date on their Hotel-Motel Tax payments. Ms. Lawrence said the City is "getting paid."

Council Member Teamann asked if the City had the Airbnb ordinance to receive revenue from vacation homes. Ms. Lawrence said the City does not have that ordinance, but did look at the possibility. She said the revenue from Airbnb homes is pretty small and would probably be only a "few hundred dollars a year." She said some send it in voluntarily. Ryan Pittman, City Attorney, said they are required to pay taxes and they are not excluded by State law.

Ms. Lawrence explained the amounts transferred in to the various funds, both for administrative and franchise fees, for debt service, capital projects, and excess reserves or non-recurring issues.

Mr. Hefton added that the staff sees the water and sewer utility just like they do other utilities. Frontier and Sparklight pay the City a franchise fee, so when a franchise fee is charged to the water and sewer funds, the City is treating itself like the other utility companies and charging them the same percentage.

Ms. Lawrence said $3.4 million is transferred to the General Fund and $0.2 million is transferred to the Utility Fund for administrative and franchise fees; $1.1 million is transferred to the Debt Service Fund to cover debt service; $1.5 million is transferred to the General Improvement Fund and some to the Utility Improvement Fund for capital projects; and some is transferred to the Group Health Fund for excess reserves or non-recurring issues.

For the General Improvement Fund, Ms. Lawrence said the largest part of the facilities expenditures is for the Police Headquarters. The City has also been doing between $8 million and $10 million annually in streets, mostly with bond money.

Ms. Lawrence said there is $600,000 in the capital expenses line item for the Downtown TIRZ for next year. Staff discussed using that for some of the sewer improvements that may need to be done as a result of the sewer line testing.

The staff is requesting about $300,000 for equipment purchases in the General Fund, about $550,000 in the Utility Fund, and about $640,000 in the Solid Waste Fund. Fleet replacement purchases are requested at $1.4 million.

Ms. Lawrence addressed the money that is expected to be received from the American Rescue Plan Act, which is expected to be about $9.1 million. The proposed projects are also "grant eligible."

Council Member Teamann said there was a big push to get the M&O rate up, and he asked what the plan was. Mr. Hefton said the plan is "growth." He said the growth in new value and in sales tax will be what "carry the day" for the City.

Mr. Hefton asked for Council direction on several issues. On the cost of living increase, Council agreed to the 2+3 increase for employees. He said, what was presented earlier was what was included in the budget. The staff will bring back both options on the utility rate for the Council to consider. Council Member Stevenson confirmed that there was no way to exempt senior citizens from the utility rate increase.

Mr. Hefton said they will bring back the results of the downtown sewer smoke test. They will also add the possibility of using Downtown TIRZ money for the dilapidated structures. The staff will bring back a plan on additional street rebuild projects, probably with CO funding.

He said there would be no change in the tax rate, utility rates will be adjusted as discussed, and there will be no change in solid waste rates.

The Draft Budget will be presented to the Council at the August 2, 2021 Council Meeting.

EXECUTIVE SESSION
In Accordance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, the City Council may hold an Executive Session if the discussion of any of the items identified in this agenda, or any of the items identified below, concern one or more of the following:

TEX. GOV'T CODE § 551.071 --
Seeking the advice of its attorney about pending or contemplated litigation, settlement offers or any matter in which the duty of the attorney to the City Council under the Texas Disciplinary Rules of Professional conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act.

TEX. GOV'T CODE § 551.072 --
Deliberating the purchase, exchange, lease or value of real property if deliberation in an Open Meeting would have a detrimental effect on the position of the City in negotiations with a third person.

TEX. GOV'T CODE § 551.073 –
Deliberating a negotiated contract for a prospective gift or donation to the City if deliberation in an Open Meeting would have a detrimental effect on the position of the City in negotiations with a third person.

TEX. GOV'T CODE § 551.074 –
Deliberating the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee unless the officer or employee who is the subject of the deliberation or hearing requests a public hearing

TEX. GOV'T CODE § 551.076 –
Deliberating the deployment, or specific occasions for implementation, of security personnel or devices or a security audit

TEX. GOV'T CODE § 551.087 –
Discussing or deliberating commercial or financial information that the City has received from a business prospect that the City seeks to have locate, stay or expand in or near the City and with which the City is conducting economic development negotiations; or deliberating the offer of a financial or other incentive to a business prospect

TEX. GOV'T CODE § 551.089 –
Deliberating security assessments or deployments relating to information resources technology, network security information, or the deployment or specific occasions for implementation of security personnel, critical infrastructure or security devices

The Executive Session was not needed.

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 1:19 p.m. Documentation for the Budget Work Session is held in the General File “Budget Work Session FY 2021-2022" in the City Clerk’s Office.

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MAYOR

ATTEST

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CITY CLERK