

STATE OF TEXAS

§

June 7, 2022

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 7, 2022.

MEMBERS PRESENT: Mayor David Plyler; Deputy Mayor Pam Howeth.
Council Members Dobbs, Holland, Marroquin, Teamann.

MEMBERS ABSENT: Council Member Stevenson.

STAFF PRESENT: Robby Hefton, City Manager; Terrence Steele, Assistant City Manager; Clint Philpott, Assistant City Manager; Zach Flores, Executive Director of Public Safety; 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; Jason Jeffcoat, Assistant Police Chief; Bruce Dawsey, Assistant Police Chief; Wes Trisler, Assistant Police Chief; Chris Olson, Assistant Fire Chief; Bart Bowman, Fire Division 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; Moises Duran, Emergency Management Coordinator; Jana Garner, Grants Coordinator; Karen Wolff, Administrative Secretary; Jim Cross, Water Systems Manager; Nate Strauch, Community and Support Services Manager; Shawn Hackworth, IT Manager; Sean Hemperley, Parks and Cemetery Maintenance Superintendent; Chuck Carlisle, Facilities Manager; Mike Roe, Facilities Foreman; Morgan Penn, Police Administrative Coordinator; Melissa Eason, Library Services Manager; Sarah McRae, Tourism/Main Street Manager; Junior Jaimes, Computer Support Technician; Teri Fine, Assistant to the City Manager; Sheena Taylor, Administrative Assistant; and Linda Ashby, City Clerk.

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

PLEDGE OF ALLEGIANCE LED BY COUNCIL MEMBER SHAWN TEAMANN

INVOCATION BY COUNCIL MEMBER SHAWN TEAMANN

CITIZEN COMMENTS

2022-2023 BUDGET REVIEW

COUNCIL COMMENTS

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

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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 8:10 a.m., declared a quorum present, and opened the meeting.

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PLEDGE OF ALLEGIANCE AND INVOCATION BY COUNCIL MEMBER SHAWN TEAMANN

CITIZEN COMMENTS

There were no citizen's comments.

OTHER BUSINESS

DISCUSS CALLING A SPECIAL MEETING FOR THE WEEK OF JUNE 13, 2022

Robby Hefton, City Manager, asked the Council to consider scheduling a Called Council Meeting on June 16, 2022, at 12 p.m., to consider the creation of the Reinvestment Zone for Project Boston and GlobiTech. There will be follow-up action on the June 20, 2022 Regular Council Meeting for a series of Tax Abatements and 380 Agreements.

ACTION TAKEN.

Motion by Deputy Mayor Howeth to call a Special Council Meeting for June 16, 2022, at 12 p.m., as presented. Second by Council Member Holland.

VOTING AYE: Dobbs, Holland, Howeth, Marroquin, Teamann.

VOTING NAY: None.

MOTION CARRIED.

2022-2023 BUDGET REVIEW

Opening Comments/FY 2022 Work Plan Update

Mr. Hefton outlined the schedule for the day, saying they would end with Council direction on the work plan. He said this year the focus will be on the Texas Instruments expansion and the associated needs. Because of the heavy tax abatements, what these projects bring on the General Fund side, is the residential effect on the single-family and multi-family, which drives sales tax and the increase in the tax base.

The main effect is on utilities, where there is a huge direct impact, and will nearly double the impact of water and sewer revenues. He also mentioned the effect on services such as streets and parks. Wildan will also provide an annual look at the utilities, later in the meeting, which was set by the Utility Rate Study. He discussed the future growth that will come from the industrial projects.

Mr. Hefton said the revenue cap will be a part of the focus of the budget discussions. Because of the revenue cap, the City doesn't really set the tax rate anymore. It is set by the cap. He projected that the tax rate would go down, but those numbers are unknown at this time, because Grayson Appraisal District is still evaluating the numbers. He said, values will increase significantly, and that will cause a downward pressure on the tax rate. On the debt service side, Mr. Hefton said that is the portion on the tax base.

The staff will always strive for a 60 to 90-day reserve balance in the major operating funds, and this year, there will be a request for three dozen new employees. These employees will be in streets, public safety, water, and wastewater departments. He added that staffing and resourcing will be a major part of today's discussions. They will also discuss balancing work with the new programs that are coming on line.

As for financial expectations, Mr. Hefton said, property values are expected to be up \$700 to \$800 million in increased value and new property added, while on a "huge year," it would normally be up \$200 million. Actual numbers should be available by July 25, 2022. There are also increases in sales tax in the General Fund, and the group health fund continues "to be a bright spot," he said.

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As for utilities, Mr. Hefton said the City is in the second year of the five-year plan. The rates were smoothed out to be between a 4% and 5% increase annually. He said there is no proposed change to that rate.

For the Solid Waste Fund, the staff will be asking for an increase in commercial rates, but not residential rates. There have been significant cost increases in all major funds, but much of the expenses in the Solid Waste Fund relate to over-the-road costs, such as tires, oil, gasoline, and vehicles. Because of that, the staff is proposing a 10% increase in the commercial rates only.

Mr. Hefton said the staff is making "great progress" on the FY 2022 Work Plan, and presented an update on the status of projects. Some initiatives are longer term, and are in progress, such as the Police Station.

The staff will also be discussing a program that has been identified using some of the FY 2021 bond issue, that hasn't been spent. Some of that money has been set aside for major repairs and rebuilds on the streets. Mr. Hefton presented the status of the General CIP Projects.

Flyovers/CIP/Projects Update

Nate Strauch, Community and Support Services Manager, and Clint Philpott, Assistant City Manager, presented a video of flyovers for many City projects. Projects that were covered included the following.

Police Headquarters	Heritage Ranch, Phase 1
South Moore Street (FM 1417, West Travis Street)	Northwest Sewer Line and Lift Station
The Grove	Sweetwater Springs
Moore Street (Park to Center)	Luella Crossing
Park Haven	Bel Air Village
Estates of Baker Park	Travis Heights
The Preserve, Phase 3	Three Oaks
McGee Street Extension	Woodman Circle Home Demolition
Heritage Crossing	FM 1417 (TxDOT)
Lamberth and Friendship Road	Washington Meadows
Hickory Hill Development	US 75 (TxDOT) Gap Project
	Shepherd Drive

City Council Members took a break from 9:08 a.m. to 9:19 a.m.

Development Services - Comp Master Plan Update, Impact Fees, Zoning Ord

Rob Rae, Director of Development Services, said they have been busy on the building side of development, because they have already issued more single-family residential permits, up to this point, than were issued in all of 2018 and 2019. They are also working on three projects on which he updated the Council.

The first project is the Comprehensive Master Plan Update, which was begun at the beginning of 2022, and should be completed by the end of October 2022. He outlined the process and discussed the meetings that were held to gather information, as well as the survey results.

Mr. Rae presented the schedule for the adoption of the Comprehensive Master Plan, saying it should be presented to the Planning and Zoning Commission in September 2022, and to the City Council in October 2022.

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Council Member Dobbs said the first survey concern was affordable housing and the third was quality neighborhoods. He asked for a definition of what a quality neighborhood was. He asked for clarification on the questions that were included in the survey.

Another project they are working on is the Zoning Ordinance Updates. Mr. Rae explained the process with the review by a subcommittee of the Planning and Zoning Commission. He said one of the main changes will be the addition of different types of housing, which will also benefit the need for affordability and more options in housing. He listed other parts of the ordinance that will feature changes.

Mr. Rae said the new Zoning Ordinance will also include a complete overhaul of the Blalock Industrial Park. The district was originally created in 1962, with a small "tweak" in 2000. Proposed changes will ease the restrictions in the district, rather than making it stricter. There will also be one table that outlines all the uses in all the zoning districts, which will make it easier to use.

The third project is Impact Fees. Mr. Rae said today was the deadline for any "grandfathered" plats before impact fees would be charged. Kimley-Horn was hired to perform the Impact Fee Study, and April Rose Escamilla, Civil Engineer, presented their update. She discussed the minor updates to the original 2020 plan.

Ms. Escamilla outlined the process used in the update and to implement the fee over the next few months. She said the three major areas are service areas, or where impact fees can be collected; land use assumptions, or how development is occurring; and the Capital Improvement Plan, which looks at roadways, water and wastewater infrastructure. This is used to develop service units, what the maximum fee will be, and the results.

The service area for water was determined to be the City's CCN service area, which is the entire City, to the ETJ. The service area for wastewater is also the entire City, taken to the ETJ. The service area for roadways is determined by Chapter 395 of the Texas Local Government Code. Sherman has four service areas for roadways, and the update revised the limits to service areas 3 and 4. These service areas were revised due to development in the area.

As for land use assumptions, the updates were a result of residential development in the service areas. Mr. Hefton referenced the huge increase in residential units from 2020 to 2022. There was an increase in single-family residential units from 3,100 in 2020 to 8,459 in 2022.

Ms. Escamilla presented the Water Impact Fee CIP, which includes five "existing facility or facility under construction" projects, and an additional list for a total of 26 projects, based on development, for 2020 to 2030. The Wastewater Impact Fee CIP also includes five existing projects, and a total of 24 projects. She also outlined the Roadway Impact Fee CIP.

Mr. Philpott said the normal list of CIP projects will be different from the Impact Fee CIP projects, because the normal list looks at five years, but the impact fee list looks at ten years. He added, that there are a lot of changes in five years, which is why the plan is updated annually. Mr. Philpott said there are only certain projects that qualify for impact fees, so not all CIP projects will qualify for impact fee reimbursement.

Ms. Escamilla outlined the next steps for the Impact Fee Schedule. Consideration of adoption of the ordinance should be in August or September 2022. Mr. Hefton explained that the consultants would outline the limits allowed by law for the impact fees, but the City Council will actually determine what they want the impact fee to be. Kimley-Horn will provide an updated range, but

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that does not necessarily mean the City of Sherman will change their fee. He said there is no proposal to change the fees, but the plan will give the updated range that would be possible. He suggested that the impact fee range be studied for the next few years, because things are changing so quickly.

Mayor Plyler verified that the impact fees for the ETJ would be the same fees as those for inside the City, because they are based on service areas. However, the Roadway Impact Fees do change for different quadrants of the City. Mr. Rae outlined the current impact fee rates that are being assessed.

Public Safety - Police, Fire, Environmental Code, Staffing & Pay Plan

Zach Flores, Executive Director of Public Safety, presented the budget requests for the Fire Department. This year, they are asking for eight additional firefighters, for a total staffing of 94; to combine Stations 1 and 2; to move from a 16 to a 15-day work period; and some market salary adjustments. He explained how these changes would increase efficiency on scene, and firefighter safety.

He said, with the increase from 86 to 94 firefighters, this would allocate 24 firefighters to EMS; 62 firefighters to fire suppression; three firefighters to the Fire Marshal's Office; and five firefighters to administration. He added that moving to a 15-day work week would help with scheduling, and improves some of the administrative payroll processes, for both the Human Resources Department and the Fire Department. He also discussed the increase of efficiency in the department with the proposed changes.

The proposal to combine the Fire Stations is a result of growth in the City and overlap of some of the coverage areas. If approved, the proposal would combine Stations 1 and 2; update Stations 1, 3, and 5, as needed; update a storage facility; and add a part-time civilian Quartermaster.

Mr. Flores also addressed pay schedules, and said when compared with peer cities, Sherman's pay "has been off, by a considerable amount." He said the proposal for a market adjustment, is to increase all the positions in the Fire Department, between 4.5% to 10%.

They also need to make sure they have the right equipment. Mr. Flores proposed replacing Ladder 81 truck with a Quint; liquidating Rescue 81 and Ladder 81; and replacing one ambulance at a cost of \$350,000. He said the City needs to "give them the tools they need" and better align for new development.

Mayor Plyler wanted to be sure the City had the proper equipment to address any needs from the industrial plants. He asked if there was specialized equipment that would be needed to respond effectively. Mr. Philpott added that during construction at the Texas Instruments facility, there will also be 2,000 to 3,000 construction workers on site.

Mr. Flores said it's important to "balance the people with the equipment, and the facility." Mr. Hefton agreed saying, the goal is to get the resources to the event with the people, equipment, and fleet that is needed, in the right amount of time.

Mr. Flores said if 85% or more of the calls are EMS calls, the City better be doing that right. Citizens don't have a choice as to who to call for their EMS needs. He said there are a lot of calls that they make that can be considered non-emergency, and he felt there might be another way to handle those calls.

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Bart Bowman, Fire Division Chief, agreed, saying they just want to get the right people, to the right place, at the right time, with the right equipment. He said they are working to instigate an Emergency Medical Dispatch System. There is an international emergency dispatch system that prioritizes calls based on the level of emergency. This will determine how many calls can be routed, not through the emergency system. He outlined how these non-emergency calls would be handled.

Another area of concern is lift assist calls. Last year they ran 1,200 calls just to help someone get up out of the floor. In many cases, the person wasn't hurt, they just needed assistance getting up. With the system now, an engine and an ambulance would both be dispatched to that call. This amounts to about 900 hours of calls annually.

Mr. Flores discussed the Ambulance Contract with Grayson County. He said it currently costs the City about \$1,200 per call. They make 300 to 400 calls annually, outside of Sherman, but in the County. Grayson County pays the City a little over \$120,000 annually for these calls, which is about \$400 per call. That means the citizens of Sherman carry the tax burden, to provide ambulance service for Grayson County residents. Mr. Flores said the City also gets an average of \$174 per call from insurance. That still doesn't pay for the cost of that service.

He said they want to be as effective as they can, while still being as accountable as they can. If the proposed changes are made, this cost will increase too and will be even more disproportionate.

Council Members discussed the proposed changes and how that would affect services and the budget.

Mr. Flores also briefed the Council on community improvement and said it is a "collaborative approach" between a team of City departments. Code Enforcement, Substandard Structures, the Police Department, and the Fire Department are all working together to combat neighborhood issues, commercial issues, and homeless issues.

He discussed the strategy of identifying residential issues and areas of concern, and how to determine the amount of resources that should be used there. He also addressed commercial issues and said monthly meetings were held with the team departments to identify areas of concern and determine timelines for compliance. He said they are also trying to identify where the homelessness is located and concentrate resources to combat it.

He mentioned a motel on Texoma Parkway where the police actually make the most calls for service in the entire City of Sherman, for both police and fire. Starting in February 2022, they assisted the property owner in towing over 40 junk vehicles from the property, at the owner's expense, and the swimming pool was filled in. There has been a 61.8% reduction in police related calls for service, and a 41.1% reduction in Fire/EMS related calls. He recognized how well the team approach worked for these types of issues.

Mr. Flores presented the results of a staffing analysis that was completed for the Police Department. They want to keep the same level of service, but asked, as the City grows, what is needed to achieve that. The request for market pay adjustments is the same as for the Fire Department, between 4% and 10%. He also proposed to hire two patrol positions and one sergeant position each year, over the next four years.

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Utilities - Rate Study

Dan Jackson, Vice President, Willdan, said their firm was hired by the City to perform a Water and Wastewater Rate Study. In 2021 they developed a long-term financial plan for the City's water and wastewater. At the time, the plan took into account future growth, costs, and financial goals. The City ended up adopting a 5-Year Water and Wastewater Rate Plan, that would get the City the revenue that it needed to cover all of its costs, while also minimizing the impact of the rate increases.

Since 2001, Mr. Jackson said the City has had some remarkable developments regarding growth expectations. They have reviewed the original plan and model to see if any adjustments need to be made because of this growth. He said the changes have been both beneficial and challenging. He outlined some of these changes.

One of the major changes is that, due to growth, the City's CIP is now estimated to be \$326 million, through 2027, with additional CIP spending required beyond 2027. But that additional spending must be funded.

Jason Gray, Managing Principal, Willdan Financial Services, discussed the current Water Rate Plan that was adopted by the City and the base volume to which it applies. He recommended that the City stay with what was recommended. He explained how this rate would perform and its impact on the monthly charges.

Mr. Gray said it was a similar situation on the wastewater side. The percentage increases are a little high, but the bases are lower. Again, they recommended continuing with the program as approved. He said Sherman's water and sewer rates are very low, compared across the State. By 2025, they will still be under the "current" State average and that of most other cities, even after four years of moderate increases.

Mr. Gray did say the growth projections have changed, including the number of accounts, and the volumes that are used. The volume is much higher than the original projections, and has almost doubled. He said the same thing will happen on the sewer side.

He said they were not recommending any changes to the rate plan that the City has already adopted. However, he said there is a cashflow mismatch, as to when the CIP dollars will need to be spent, and when the revenue will be received from the new accounts and the new volume. Most of the improvements, he expected, would be funded by debt. He recommended that the City review the rates, expenditures, and debt issue, on an annual basis to ensure that the assumptions are being achieved.

They determined that if assumptions hold, the current rate plan is sufficient to fund extraordinary levels of debt. Mr. Jackson said "do nothing, stay the course, the five-year plan remains valid," and they suggested no changes at this time.

Dan Landing, Project Manager, Willdan Financial Services, was also in attendance at the meeting.

City Council Members took a lunch break from 11:45 a.m. to 12:07 p.m.

Public Works - Streets, Utilities, CIP + Pothole Crews

Mr. Philpott briefed the City Council on Public Works issues. Over the last three years, water service projects in the Distribution Services Department have increased due to the effects of development. Utility located tripled, water taps are up 50%, main breaks are up 50%, and meter

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box sets are up 25%. He said they are also doing more efficient repairs that will last longer and not just patching the problem, and they're doing more in-house projects. He outlined current projects through Distribution Services.

Because of the increase in projects and services, Mr. Philpott said there is a need to increase staff, and add a crew for these projects. The new crew would consist of two operators, two laborers, a new crew truck, a 15-yard dump truck, and a mid-size excavator. That would result in three crews for projects.

Mr. Philpott presented a list of street projects, current ones that have been completed, projects for the summer, and the upcoming chip seal schedule of projects. He presented a map of the projects, showing that they encompass the entire City. The projects are on an as-needed basis, and they are trying to do more actual rebuilds instead of just repairs.

Proposed staff increases for the Street Department include a ROW Mowing Crew, consisting of one operator, three maintenance workers, a boom mower, tractor, with brush hog, and new crew truck; a CIP Crew, consisting of one operator, three maintenance workers, a new crew truck, and mid-size excavator; and a Pothole Crew, consisting of three maintenance workers, and a new crew truck with flatbed.

He outlined the proposed use of the new crews and explained how they would save money, as well as how they would be financed. Mr. Philpott said they expect to be able to do a lot more with the money, if it's done in-house, rather than hire a contractor. He said there are four projects that have been identified for the plan.

He said the City started working with Kimley-Horn on a Paving Condition Assessment. Data has been collected and they are integrating it into the database to create a scoring system of City streets for repair. The study should be complete in August or September of 2022.

Parks & Economic Development (Placer Tool Demo)

Terrence Steele, Assistant City Manager, presented an overview of the Parks and Recreation Department and the specifics of their department. This group includes Cemetery Services, Parks and Recreation, Parks Maintenance, Swimming Pool, and the Senior Center. The majority of their budget is Parks Maintenance.

Sherman has a lot of parks that must be maintained with the proper equipment and the proper number of people. Last year there was a contract for mowing, and mid-year, they asked to hire a crew. The City has 452 acres of parkland and 19 miles of trails, with 7.5 miles of that concrete walking trails. He discussed the other departments and their activities.

Mr. Steele said pickleball is the top activity at the Taylor Street Drop-In Gym. The sports fields are also heavily used, with both games and practices. They are also trying to bring additional tournaments to Sherman. Currently there are baseball, softball, and 7 on 7 football tournaments held in Sherman. There are also 12 pavilions at various parks and they are often rented. Mr. Steele said Sherman offers 164 recreation programs, 31 athletic programs, and 18 special events, that are attended by thousands of people.

He said, in order to attract people to Sherman, the City needed to put the amenities in place that will attract them.

Council Member Marroquin verified that there were plans to expand The Splash, however that was in year five of the CIP. Mr. Hefton felt the swimming pool "might have reached its end of life."

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Council Member Marroquin also felt that the City needed to start their own soccer league to attract more soccer tournaments.

Mr. Steele provided a demonstration of Placer.ai software, which is used to recruit retail businesses. He said Sherman is a "regional draw" for retail and should bring other businesses in. He said they hoped to use the software for economic development.

Staffing Requests & Compensation

Mr. Hefton presented the staff requests for staffing and compensation. For employee compensation he proposed the following. And to look at it again after the first of the year. He also proposed starting the pay increase on August 1, 2022 instead of October 1, 2022.

- Base pay for all employees increased by 5%
- Fire Department - 6.5% equivalent
- Police Department - 5.5% equivalent
- Various market adjustments
- Contribution to HSA accounts - \$600/employee

New positions proposed included the following.

General Fund

- Building Inspector
- Grounds Maintenance Worker (3) (partial year)
- Human Resources Generalist
- Public Safety Executive Director
- Firefighter (8)
- Street Superintendent
- Planner - Development Services
- Patrol Officer (2), & Evaluate additional Sergeant position during FY 2023
- Street Department Operator
- Traffic Operations Tech
- Police Headquarters Custodian
- Streets Maintenance Workers (6)
- Library Assistant (part-time)

Utility Fund

- WWTP Maintenance Tech
- Water Quality Tech (2)
- Pretreatment Specialist
- Distribution and Collection Laborer (2)
- Distribution and Collection Operator (2)
- Customer & Utility Services Clerk

Solid Waste

- Foreman
- Driver

Other Funds

- Information Technology - GIS Coordinator

The proposal is for 30 new employees, but some will offset savings. Currently there are 481 employees, and if all are approved the count would go to 520. These positions are built into the proposed budget.

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FY 2023 Work Plan + Downtown

Mr. Hefton addressed the downtown TIRZ, and said there are some things that can be done to attract downtown businesses. They can use TIRZ dollars to pay the CO bonds for projects, primarily sewer projects. There is also some funding that could do other projects, such as parking and lighting. He said the staff would come back with a specific plan, if the City Council is okay with this.

Debt and Tax Update

Mr. Hefton said there are three main types of long-term debt that the City issues. Utility debt is through the Greater Texoma Utility Authority and does not appear as debt on the City's books. They are paid as contractual payments. There are also Certificates of Obligation, that is tax-backed debt. These are 20 to 30 years in length. That debt is paid from property tax debt. The third type of debt is Tax Notes. These are shorter in term, from five to seven years. Tax Notes are also about half the interest rate of the other two types of debt.

He presented a list of equipment to be purchased for FY 2023, through Tax Note funding. Total cost of the fleet was \$3.8 million. He presented a list of projects for FY 2023 CO Bond uses. Total for this debt is \$39 million. Most of these projects are for streets. Mr. Hefton presented prior debt service for the City, of the entire debt service.

He presented an estimate of what the tax rate would be, since the final numbers aren't in. He also discussed how the tax rate is determined, based on debt. The M&O rate is the one that is capped. He explained the calculations they used to determine what the tax rate will be. The current tax rate is \$0.489 per \$100 valuation. The projected rate is \$0.444 per \$100 valuation (estimated).

Five Year Revenue Sneak Peek

Mr. Hefton said property and sales tax generally make up about 75% of the total General Fund Revenue. Because of projected growth over the next five years, that number gets skewed. He discussed the other revenue for the fund and the potential growth in the tax base.

The deal with Texas Instruments, as it would be with any large industrial customers coming to Sherman, it takes them two or three years to build this big plant that adds billions of dollars to the tax roll. During those years of building, those dollars get added to the tax base. They're not abated yet. The abatement for Texas Instruments starts when they receive the Certificate of Occupancy. So, the first few years, while they're building, their tax is not abated and it comes on the tax roll. He discussed the effect this would have on the tax cap. He said the final budget that will be presented to the Council will have this "lined out."

Mr. Hefton outlined input from Council Members for the FY 2023 Budget.

- Continue plan for downtown improvements (sewer, parking)
- Streets - Condition Assessment Report, but take care of what we have
- Facilities and planning, as it relates to growth (Fire Department, City Hall, Public Works Facility)
- Cleaning up the City
- Continue SISD collaboration

He briefly looked at the proposed work plan for the upcoming year, but will address the actual Council direction after the financials are presented.

City Council Members took a break from 1:49 p.m. to 1:59 p.m.

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Financials, Debt & Council Direction

Ms. Lawrence presented key points and fund balances for the financials.

General Fund

- Property tax rate decrease from \$0.489 per \$100 valuation to \$0.444 per \$100 valuation (estimated)
- Twenty-three new positions
- \$13.8 million
- \$3.8 million above FY 22 Adjusted Budget
- 94 days reserves

Utility Fund

- 4.6% water and sewer rate increase, per the rate study
- Nine new positions
- \$5.1 million
- About \$1.3 million above FY 22 Adjusted Budget
- 67 days reserves

Solid Waste Fund

- Receive TASWA funds - estimated \$700,000
- 10% increase in Commercial Solid Waste
- Two new positions
- \$1.5 million
- \$168,000 above FY 22 Adjusted Budget
- 59 days reserves

Ms. Lawrence discussed key points in the fund's proposed budgets. Currently, inflation is at 8%. She also discussed the volatility of the sales tax, as well as property tax growth, and long-term debt.

Ms. Lawrence discussed transfers between funds to pay for services that one fund receives from other departments. The City also charges a franchise fee to the Utility Fund and the Solid Waste Fund, as it does to other utility companies. Transfers are also made to pay debt service and to fund capital projects.

She discussed the General Improvement Fund, the projects that are included, and a summary of the funding. The TIRZ #2 Fund will have a projected ending fund balance of \$679,000, which could be used for projects in that zone, such as parking lots.

Mr. Hefton said, in the past, the Council has been sensitive about changing the residential solid waste rates. Sherman's residential rates are low and an increase could bring them more in line with other peer cities. In lieu of that, the proposed rate increase is only on the commercial rates.

Mr. Hefton presented the proposed Work Plan again, this time for Council direction.

Compensation/Staffing

- 5% cost of living, start on August 1, 2022; evaluate in October and maybe another one time "bonus" at a later date
- PD and FD pay plan
- Various market adjustments, as needed
- HSA contribution

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- Significant staffing increase, as presented

Facilities/CIP - Council said yes to all

- Fire Department renovations and combine Stations 1 & 2
- City Hall planning
- PW facilities planning
- Significant General and Utility CIP projects (and related debt)

Planning & Operations - Council said yes to all

- Utility rate proposed adjustment and multi-year plan - stay on the 5-year plan
- Fire Department staffing and operational changes
- Enhanced street rebuild program via CO Bond proceeds
- Fleet and equipment purchases
- Tax note financing for various equipment/projects
- Enhanced City cleanup
- Downtown focus -- parking, retail/restaurant, infrastructure
- Commercial solid waste rate adjustment - discuss more in June
- Streets - CIP (CO Bond) crew, pothole crew, more materials
- Increased environmental abatement budget
- Development Standards revisions

Mr. Hefton said the property tax rate would decrease to about \$0.444 per \$100 valuation. He also presented the draft calendar for adoption of the tax rate and budget.

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

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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

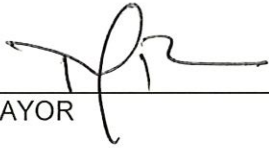
TEX. GOV'T CODE § 551.089 –

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 2:48 p.m. Documentation for the Budget Work Session is held in the General File "Budget Work Session FY 2022-2023" in the City Clerk's Office.


MAYOR

ATTEST


CITY CLERK