

STATE OF TEXAS

§

May 25, 2023

COUNTY OF GRAYSON

§

**BE IT REMEMBERED THAT A** Called Meeting of the Sherman City Council was begun and held in the City Council Chambers on May 25, 2023.

**COUNCIL MEMBERS PRESENT:** Mayor David Plyler; Deputy Mayor Josh Stevenson.  
Council Members Dobbs, Holland, Howeth, Marroquin, Teamann.

**COUNCIL MEMBERS ABSENT:** None.

**CITY STAFF PRESENT:** Robby Hefton, City Manager; Terrence Steele, Assistant City Manager; Clint Philpott, Assistant City Manager; Zach Flores, Executive Director of Public Safety; Aliceson Cotton, Attorney; Abernathy, Roeder, Boyd, Hullett; Rob Rae, Director of Development Services; Mary Lawrence, Director of Finance; Billy Hartsfield, Fire Chief; Wes Trisler, Assistant Police Chief; Jana Walker, Controller; Tom Pruitt, Utility Engineer; Nathan Whiddon, Wastewater Superintendent; Shawn Hackworth, IT Manager; Eric Sandberg, Assistant Public Works Manager; Leah Campbell, Human Resources/OD Administrator; Nate Strauch, Community and Support Services Manager; Theresa Hutchinson, Parks and Recreation Manager; Kevin Winkler, Public Works Manager; Jim Cross, Water Systems Manager; Keri Turner, Development Services Coordinator; Tasheena Taylor, Administrative Assistant; Moises Duran, Emergency Management Coordinator; Melissa Eason, Library Services Administrator; Dylan Johnson, Parks and Recreation; Junior Jaimes, Help Desk Supervisor; Teri Fine, Assistant to the City Manager; Linda Ashby, City Clerk.

**PURPOSE:** Call to Order, Quorum Determined, Meeting Declared Open  
  
Pledge of Allegiance and Invocation by Council Member Juston Dobbs  
  
Citizen Comments  
  
Capital Improvement Program Update and Council Input  
  
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 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

**COUNCIL MINUTES – MAY 25, 2023**

Professional conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act.

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**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

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Open Meeting

Adjournment

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

Mayor Plyler called the meeting to order at 11:02 a.m., declared a quorum present, and opened the Called City Council Meeting.

**PLEDGE OF ALLEGIANCE AND INVOCATION BY COUNCIL MEMBER JUSTON DOBBS**

**CITIZEN COMMENTS**

There were no citizen's comments.



## **COUNCIL MINUTES – MAY 25, 2023**

Council Members took a break to fill their plates from 11:04 a.m. until 11:15 a.m.

### **CAPITAL IMPROVEMENT PROGRAM UPDATE AND COUNCIL INPUT**

#### **Setting the Stage**

Robby Hefton, City Manager, said this is a "capital-intensive focus" of the City's operations, both on the Utility and the General Fund side. There are some projects that the City has legally committed to, through contracts and development agreements. Some relate to Planned Developments and others are infrastructure around the industrial park. There are also other projects that the staff will need direction on at the Budget Work Shop, as to when to move forward with them.

He said there are already agreements in place with Bel Air, Heritage Ranch, and Hickory Hill. Some projects aren't "contractually" related, but do need to be done, such as thoroughfares at Shepherd, Lamberth/Friendship, and Moore/Interurban Parkway. There are also some Texas Department of Transportation projects that would probably be paid through a bond issue in the next two or three years. The City will need to participate in these projects in order to move them up on TxDOT's list.

As for facilities, Mr. Hefton said the Police Station was completed this year and Fire Stations 1 and 2 are under design. They have also discussed a new City Hall, and a Public Works campus (South Plant) should be considered in the future. Another General Fund issue is parks, including trails, existing park upgrades for major parks, and new park development. These projects could also be part of the bond issue.

In the Utility Fund, the capital-intensive focus is on the Water Plant/Lake Pump Station, wellfields, Wastewater Plant, and the distribution system. The thought is what will be needed five or ten years from now, and what will be needed today for the first phases of the industry expansion.

He discussed the possibility of rehabbing the Water Plant to recapture 2.5 mgd, and expanding the newest part of the plant to add 5 mgd. Similar projects are being considered for the Wastewater Plant. The staff is also assessing ways to bring some of the well sites back into service or increase the reliability of high producing wells that might have problems, and increase the distribution system.

Mr. Hefton said phasing the project is one method used to schedule the projects. For example, on a planned four-lane, median divided road, most of the time, traffic counts don't immediately hit their maximum. So, the City might build half of the road, with a turn-lane, and complete the roadway when traffic actually warrants it. He said they want the projects to be "the right amount of nice" and "let development pay for development."

Currently the rate plan is based on assumptions of volumes and tax value changes, and those assumptions are bound to change. They are based on the best "current" information, and that information will change with development. The plan is to work the rates and do things gradually.

He said the financial focus will be to maintain adequate fund balances, maintain debt service coverage, only look at rate increases when tax values or utility volumes aren't adequate, and are tax rates and utility rates reasonable compared to peer cities.

Mr. Hefton said there are very few things the City can do to affect revenue. In the General CIP it is based on property tax revenue, generated by rates or value increases. For the Utility CIP it is based on water and sewer revenues, generated from rates or volume increases.

#### **Projects**

Clint Philpott, Assistant City Manager, updated the Council on street and drainage projects, distribution projects, Water Plant projects, and Wastewater Plant projects. He included timing, the adjustments made over the last couple of years, and what the current plan is, moving forward.



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He discussed the following CIP projects:

- **Bel Air Blvd** - building houses and starting on Phase 2. The City will help pay for Bel Air Boulevard and some water relocations, through the Reinvestment Zone Phases 2 and 3 of the residential are being done at the same time. Cost to build all four lanes is about \$3 million and it won't be done in phases. Design is 90% complete, and moving dirt on single-family portion.
- **Moore Street Extension** - change name to Interurban Parkway, and will connect Center Street to Hwy 902. Currently under design, and a portion of Moore Street being improved. Timing to be determined by Council, to construct two of the ultimate four lane boulevard.
- **Progress and Flanary Road Extension** - will provide a second access to industrial park. A SEDCO funded project.
- **Shepherd Drive Extension** - first major thoroughfare in Sherman, that is not a TxDOT road. Will construct four lanes with a median, but will ultimately be six lanes. Will extend to Texas Instruments property.
- **FM 1417 Expansion** - almost done with north portion. Finalizing design on next phase, Hwy 56 to West Travis Street. Hope to have right-of-way and design completed by March or April 2024, then construction in 2025. First phase will be four lanes with a medium, but ultimately six lanes will be constructed.
- **Lamberth Road Extension** - Hickory Hills Planned Development kicked off need for this extension. Developer is paying for one lane and City is paying for the other lane, which is "development paying for development." Includes some off-site sewer. Single-family for rent is currently under construction, multi-family is under review. All three phases are moving forward.
- **Friendship Road Extension** - future Friendship Road connection, between Hwy 82 and Hwy 56. Will be a five-lane section, with a continuous turn lane. Friendship will ultimately connect to O.B. Groner Road.
- **FM 1417 OB Groner Intersection** - changed from single-family for rent to just single-family, with a portion for multi-family. The City's portion will be intersection improvements at FM 1417. Developer is designing the portion from FM 1417 to his west property line. A portion will have four lanes and match what West Travis Street looks like. This will make the intersection safer and add capacity through the development.
- **US 82 Ramp Reversal** - part of Heritage Ranch Commercial Phase, to adjust the ramps to make it more conducive to retail development. Design contract in June 2023, to reverse the ramps. Single-family exits for Travis Street are at Murphy Lane. Looking at a left turn lane into the street. The School Bond Issue just passed, which included an elementary school at Heritage Ranch, to open in the next two or three years. The timing of development has an impact on the timing of the infrastructure.
- **US 75 Expansion** - finish out the additional three lanes for Hwy 75 from Hwy 82 to Texoma Parkway, to meet interstate standards. Project cost is about \$130 million.
- **Hills of Sherman Drainage Improvements** - a detention pond was in the 2012 Flood Mitigation Plan. However, the cost-benefit ratio didn't always make it a viable project. The opportunity arose to partner with the developer of The Hills of Sherman on his detention pond. There will be no property acquisition. Cost for the difference in what he would be required to do and what the City would like, is about \$500,000. The City will reimburse the developer, after the project is complete. This project will alleviate some flooding issues during a 100-year flood event.
- **Interurban Parkway** - project is to be determined when it is needed. There is an expensive bridge in Phase 3 that will cost about \$23 million. The bridge goes over BNSF Railroad and Choctaw Creek. He felt the need might arise when Texas Instruments reaches Phases 3 and 4 of their expansion. The alignment is complete.
- **36" West Sherman Transmission Line** - still working on acquisition of right-of-way for this water line. Cost of the project is about \$50 million.



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- **Bel Air and Legacy Water Line** - relocation of a water line going through Bel Air and also providing surface water to points farther east. There is a large ground water line in the area, which would allow the City to pull from either water system. It would be timed with the construction of that section of Bel Air.
- **15" to 24" Sanitary Sewer Replacement** - this sewer line serves Howe, Texas, and needs to be expanded. The plan is to get the design, so it can be constructed when needed. Cost of construction is estimated at \$3.5 million.
- **Post Oak Sanitary Sewer Replacement** - erosion has been done, over time. Because of the cost and disruption to residents, it was split into two projects.
- **Rosedale to First Street Sanitary Sewer** - to replace 12" and 15" parallel lines in southeast Sherman, to increase the capacity, and deal with an inflow and infiltration issue. The new line will be a 21" sewer line. The design is complete, but they are waiting on an easement. It will allow for a better flow to the Wastewater Treatment Plant.
- **8" Water Line under US 75 and Travis Street** - there is a need for a larger water line from the east side of Hwy 75 to the west side at Hwy 75, to better connect the pressure zone. During a high-water demand, water needs to move freely. This is a new project that was determined through the Master Plan.
- **Southwest Industrial Sewer Line Replacement** - also a capacity project. This will be a new project. As Crossroads continues to develop, there is the potential for hotels. There was an 18" and 24" line, and it will be replaced with a 30", down to a 24". The first phase has been awarded, so they will move with construction soon.
- **Lake Texoma Pump Station Generator** - because of the "weather event" in 2021, generators were added at the Lake Texoma Pump Station. The timing of the project is dependent on the North Texas Municipal Water District electrical upgrade. That project has been delayed by about six months. When complete, it will bring more consistent power to the Pump Station. When their project is complete, the City will add generators for the pumps.
- **Lake Texoma Pump Station Pumps Expansion** - with the need for additional water, the City needs to be able to draw water from Lake Texoma. Currently there are four spots for Sherman pumps. One is empty and the other three pumps draw 7 mgd from the lake. The proposal is to add one 16 mgd pump to the empty bin, and replace one of the 7 mgd pumps with another 16 mgd pump. This would give 30 to 40 mgd capacity. TCEQ requires that your maximum capacity is assuming that your best pump is out, which means Sherman only has about 30 mgd. Hopefully, this project would be installed before 2025. NTMWD has larger pumps than Sherman, and if needed, the City might be able to contract with them for use of one of their pumps for a short period of time.
- **WTP Current Upgrades** - discussion included should the current RO Building be expanded, should the original conventional plant be repaired, or should another RO facility be constructed. Originally the staff thought they should just build a new facility and get rid of the conventional plant. They didn't feel that was the best use of money and asked what it would take to get the conventional plant back in operation for another 10 to 20 years. It was determined that most of the repairs could be done in-house. He outlined the specific repairs that will be made to the plant, that will allow the City to have full-capacity of the conventional treatment side, which is about 10 mgd, and "buy some time" until 2026 or 2027, when they may need even more capacity.
- **WTP Concentrate Discharge Line** - the City now has an approved permit from TCEQ to take the brine discharge from the treatment plant and put it back into Lake Texoma. To do that, the force main needs to be extended from the ponds to a point where gravity flow can take it back to Lake Texoma. There are no limits on the TCEQ permit, so the City doesn't have to worry about the salt content.



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- **WTP Conventional Treatment Rehab -**
- **WTP Future Expansion** - this is for the design of the conventional surface water plant. When the design and permitting are done, it will still take at least two years to build. The staff also wants to add capacity on the groundwater side.
- **WWTP Existing Plant** - this would be for the second Wastewater Treatment Plant. Plans are underway and they are currently working on some aspects of the project. The electrical at the plant is probably 30 to 40 years old, and there are corrosive properties there. There are projects because of the age of the plant, and projects because of the capacity of the plant.
- **WWTP 4-MGD Expansions** - what the new entities will be sending to the plant will be a lot different than domestic flows, and might carry more of a risk. Ultimately, the decision was made not to expand the conventional plant, but to create an entirely separate plant for the industrial park. Everything from the High School, down to Texas Instruments, and the Hwy 902 Corridor, will flow into the newly proposed facility. This facility will be designed to handle more of the potential contaminants that the industries may be sending. Neither the Water Treatment Plant nor the Wastewater Treatment Plant are in the City limits of Sherman. Phase 1 will expand the capacity by 4 mgd, and it will pull some of the domestic flow from Crossroads and the High School, off of the conventional plant, which will allow for additional capacity. There will be a total of three phases.

Mr. Hefton said so far, the projects are driven by development, by development agreements, or by growth that is already happening. He introduced some projects that are "on the radar" and the staff feels are worthwhile.

He presented "types of things" that they might expect as projects, at some of the major parks, such as Fairview Park and Hawn Park. The new equipment would replace some very old equipment and maybe include a more appropriate all-weather surface. He presented examples of possible equipment for the major parks. There were also some examples of splash pads. Some specific recommendations for the parks will be made at the Budget Work Session.

### **Bonds, Rates, and Legislative Update**

Mr. Hefton presented required projects for the FY 2023 CO Bond uses, which amount to about \$55 million. Most of the projects relate to streets, about \$43 million. He also referenced several projects that SEDCO will be paying the debt service on.

He presented a list of other projects, that are not required, but amount to \$38 million. These projects include parks (\$16 million), and facilities (\$22 million). He reiterated that the \$20 million designated for City Hall, is only a "place holder" because they don't have data back on a proposal. Total amount for all projects is \$93 million.

As for the tax rate, Mr. Hefton said, based on the preliminary values from the Appraisal District, that would be \$.45. The required projects are within the current tax rate. He said no decisions need to be made today, but they will need to make some decisions at the Budget Work Shop. He added that, as far as they know with today's information, the rate would be \$.515. Mr. Hefton discussed the other tax rates, as defined by the State, as well as the historical tax rate and property tax growth rate. He also discussed current legislation in the Texas House and Senate that would affect a City's ability to issue Certificates of Obligation.

Mr. Hefton referenced two handouts that discussed the possible level of increases that might be needed, overall, in the rate structure to pay for the debt service that will be coming on. This would be to pay for the debt service, and maintain adequate reserve levels. He also presented a draft of the Rate Study, and said this would be presented at the Budget Work Session. The presentation will be a "block" rate structure, where the lower end users, like residential users, are not the ones feeling "the pinch" from the rates. As it is presented now, there would be no rate increase for residential users in



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FY 2024. There would be only modest rate increases in FY 2024 for the other users that are above 20,000 gallons a month, which captures about 99% of all residential users. When the actual volumes of use are known, that will help set the rates. This structure will also provide that the burden of the impact shouldn't be felt by the residents, it should be felt by those that are driving the need for this, which are the businesses.

### **COUNCIL COMMENTS**

There were no Council comments.

### **EXECUTIVE SESSION**

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No Executive Session was needed.

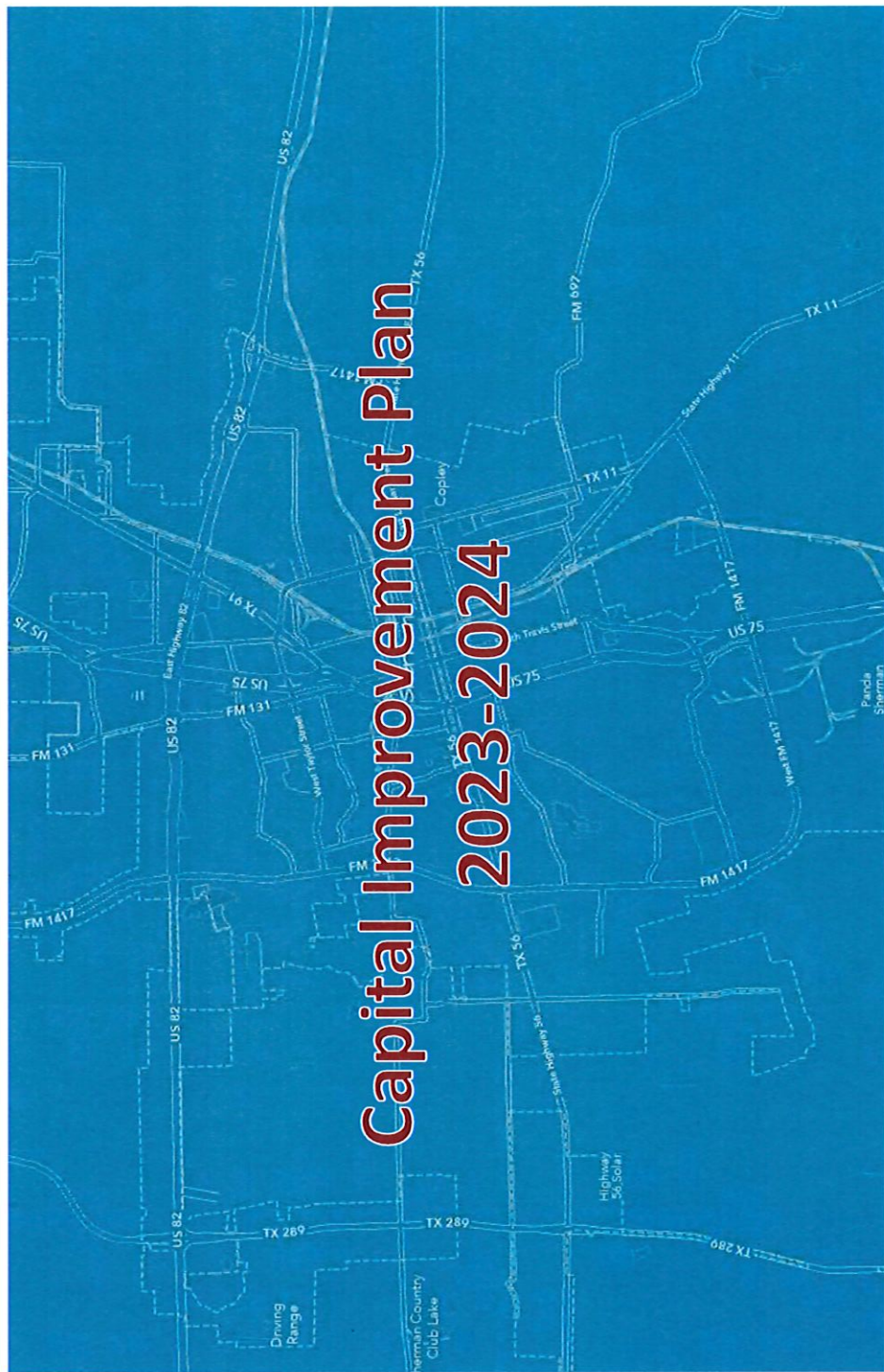
**ADJOURNMENT**

There being no further business to come before the City Council, motion was duly made and approved to adjourn the Called Meeting at 12:56 p.m.

  
\_\_\_\_\_  
MAYOR

ATTEST

  
\_\_\_\_\_  
CITY CLERK





# AGENDA – CIP MEETING

- Setting the stage
- Projects
  - Streets / Drainage
  - Distribution System
  - Water Treatment Plant/Lake Pump Station
  - Wastewater Treatment Plant
  - Parks and Recreation
- Bonds, Rates, and Legislative Update

# Increasing Capital-Intensive Focus – General Fund

- Road Infrastructure
  - Master planned developments – Bel Air, Heritage Ranch, Hickory Hill
  - Thoroughfares – Shepherd, Lamberth/Friendship, Moore/Interurban Pkwy
  - Participation w/ TxDOT
- Facilities
  - Police Station (completed 2023)
  - Fire Station 1&2 combined, (others to come)
  - City Hall
  - Public Works campus
- Parks
  - Trails
  - Existing parks upgrades – Fairview, Hawn, OSP, MLK, Center/Binkley, Pecan Grove
  - New park development – Shark Tooth, Southwest Regional



# Increasing Capital-Intensive Focus – Utility Fund

- Water Plant/Lake Pump Station
  - Rehab conventional EDR membrane plant first (recaptures 2.5mgd)
  - Expand newest RO/UF plant (adds 5 mgd)
  - Add new RO/UF plant and related only when needed
- Wellfields
  - Rehab existing wells/pump stations to maximize output
  - Consider new wells??
- Wastewater Plant
  - Add new south plant with membrane technology (adds 4mgd per phase)
  - Rehab existing conventional plant later
- Distribution
  - Expansion of water distribution – 36" line
  - Rehab existing sanitary sewer distribution – lines, lift stations – to add capacity



# Approach to Managing CIP Plan

## ➤ Taxpayer/ratepayer Focus

- Can the project be phased? E.g.,
  - ½ of a four-lane thoroughfare now, finish when traffic warrants – Lamberth, Friendship, Moore
  - Shell out portion of new City Hall and finish-out later
- Timing - When is the project needed (not too early, not too late)?
- Scope - The right amount of nice (value engineer to reduce costs)
- Let development pay for development - Impact Fees, Development Agreements, Tax Increment Reinvestment Zones, PID/MUD for developers, SEDCO
- Measured rate increases that allow for rate plan changes as utility volumes and tax values change – high variability in current assumptions



# Approach to Managing CIP Plan

## ➤ Financial Balance Focus

- Are we maintaining adequate fund balances (75 - 90 days)?
- Are we maintaining debt service coverage of 1.05?
  - $(\text{Revenues} - \text{operating expenses}) / \text{annual debt service}$
- Rate increases only when tax values and utility volumes aren't adequate, and other revenue sources aren't enough
- Are tax rates and utility rates reasonable compared to peers?

# How is this paid for?

(think “RV”)

## General CIP – Property tax revenue

- Rates, or
- Value increases
  - Base Growth, and
  - New properties
- Both

## Utilities – Water and Sewer Revenues

- Rates, or
- Volume increases from existing &/or new customers



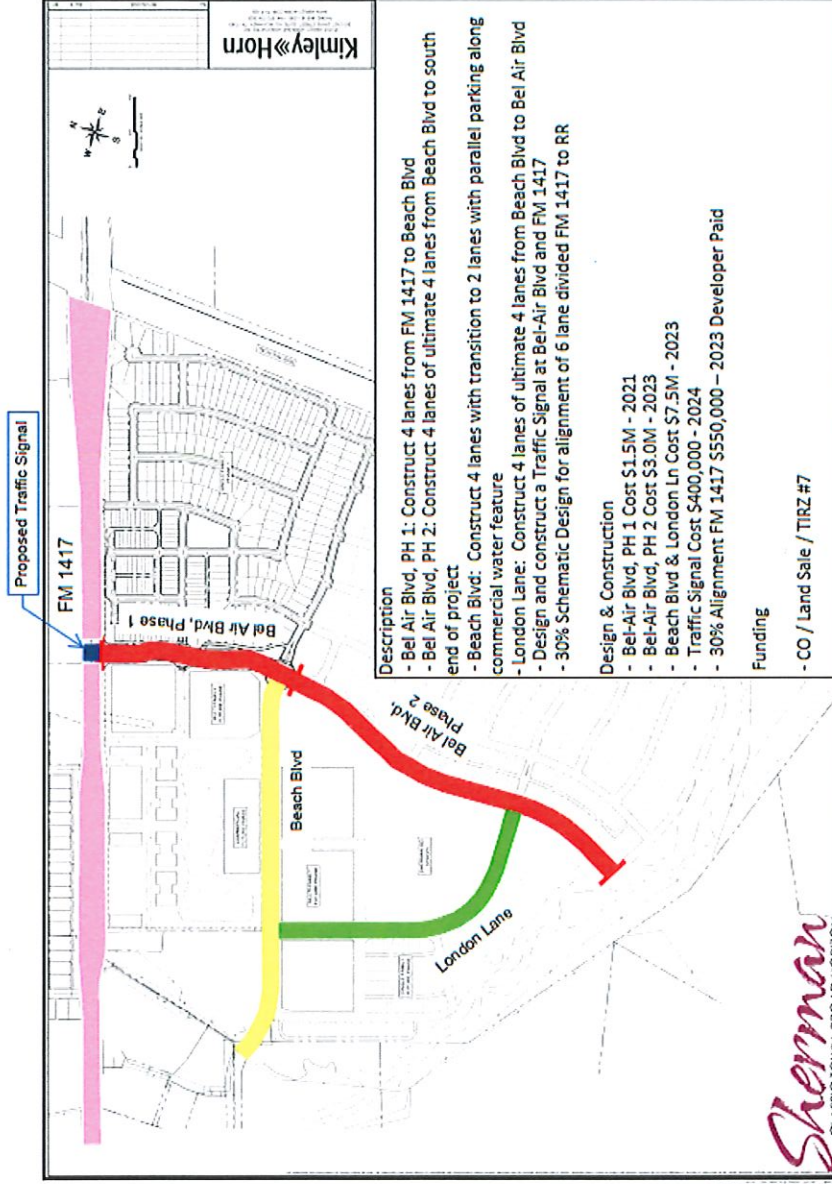
# PROJECTS

# Streets

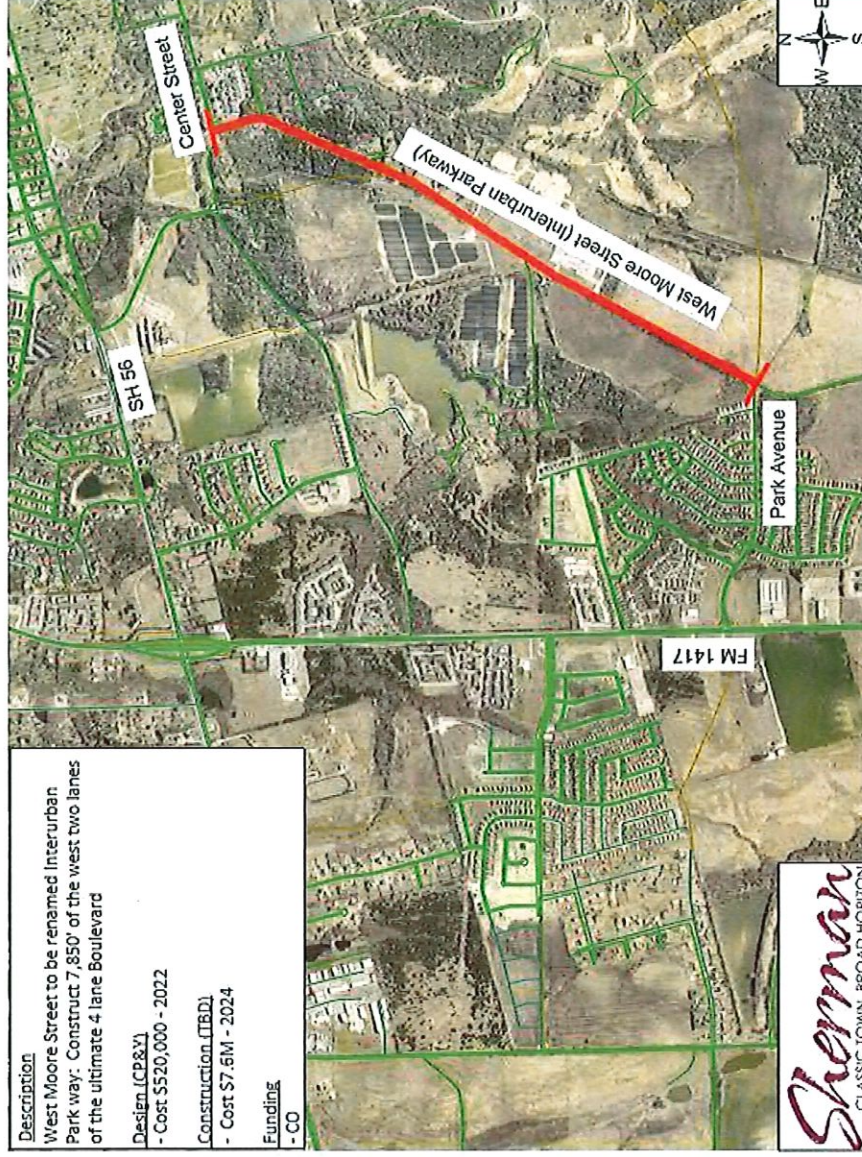




# Bel Air Blvd.

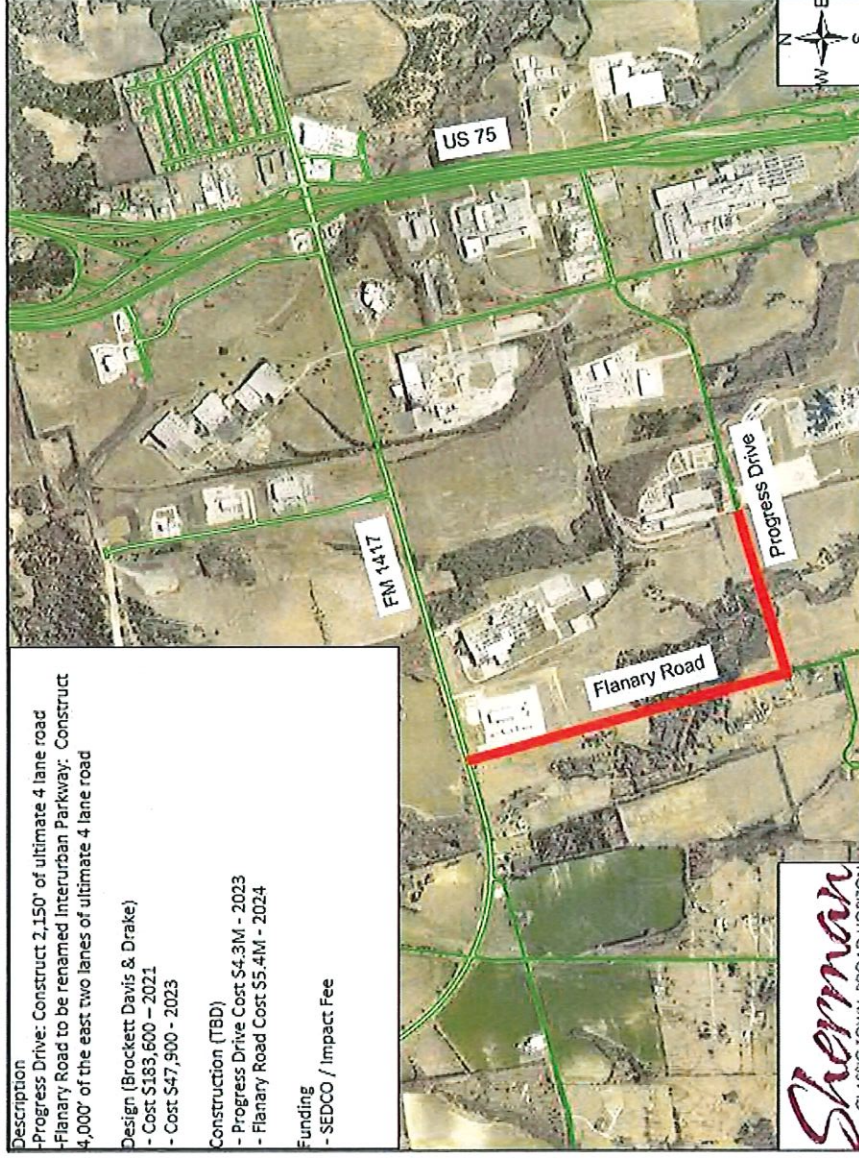


# Moore Street Extension

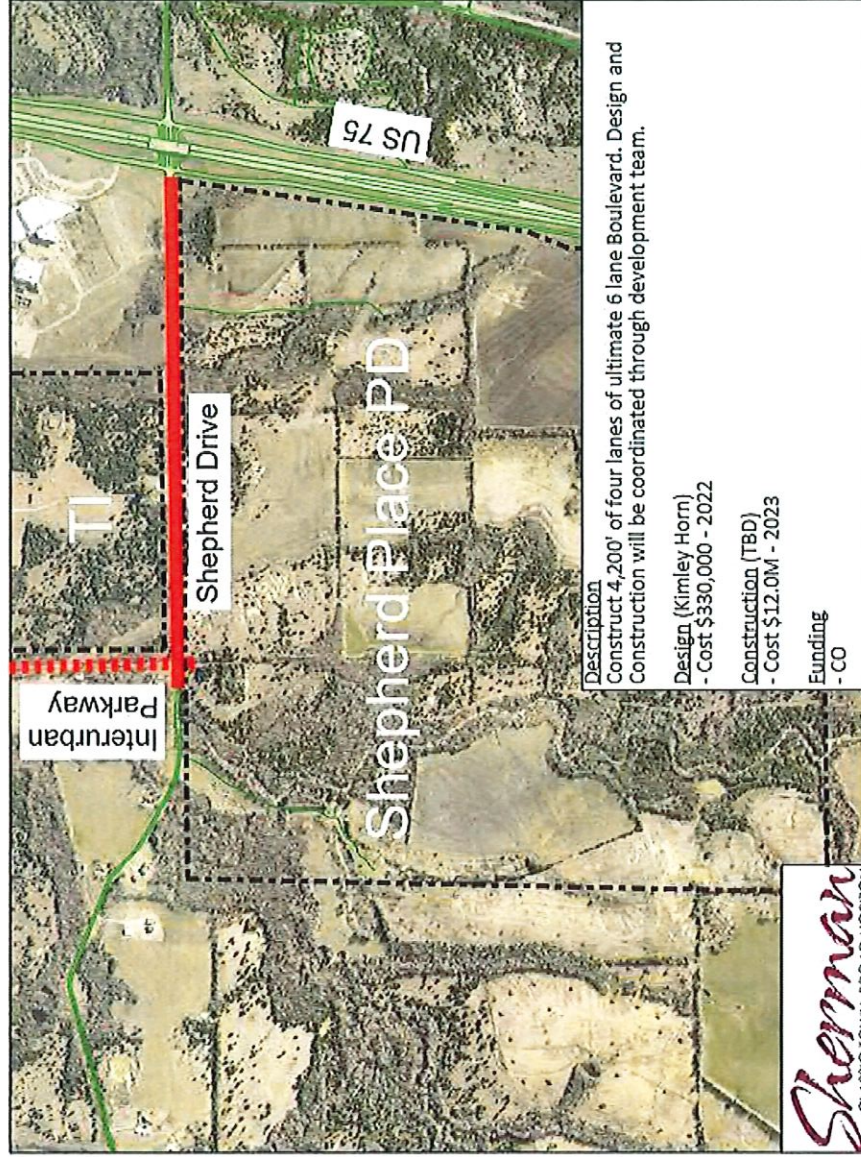




# Progress & Flanary Road Extension

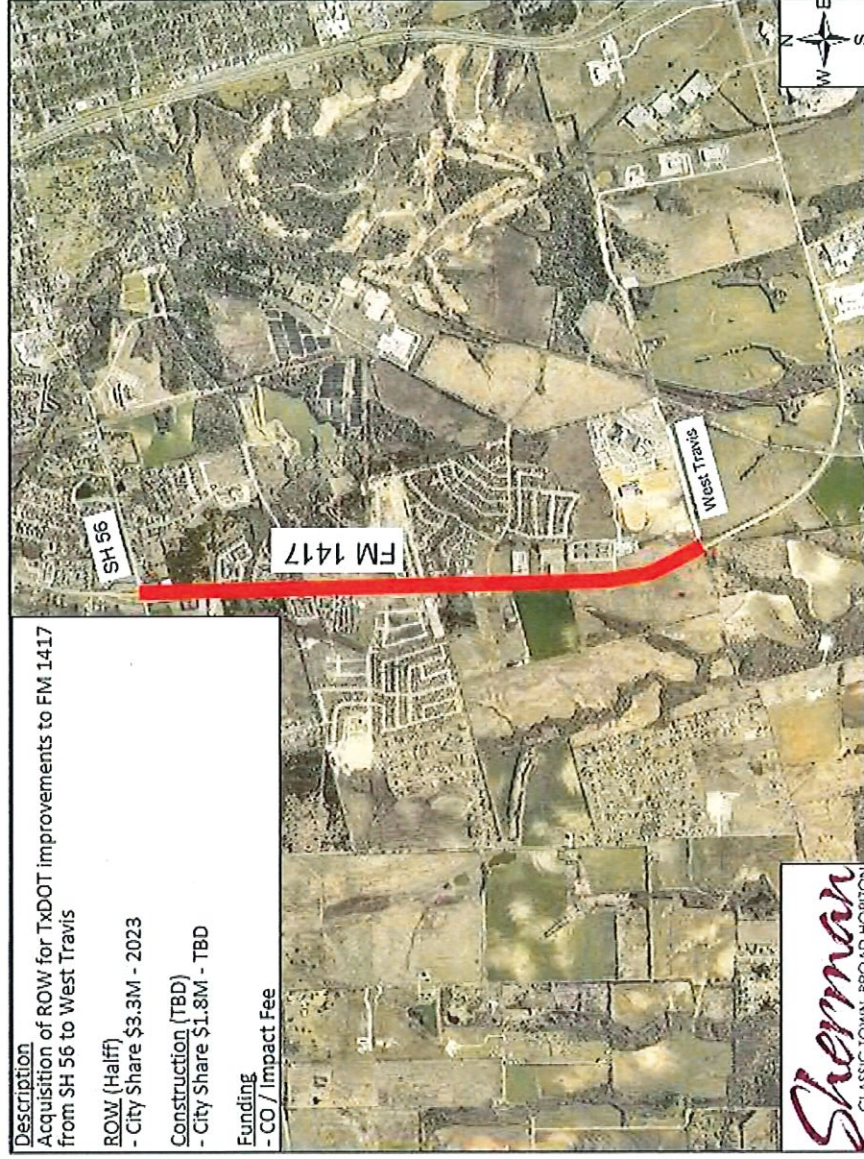


# Shepherd Drive Extension

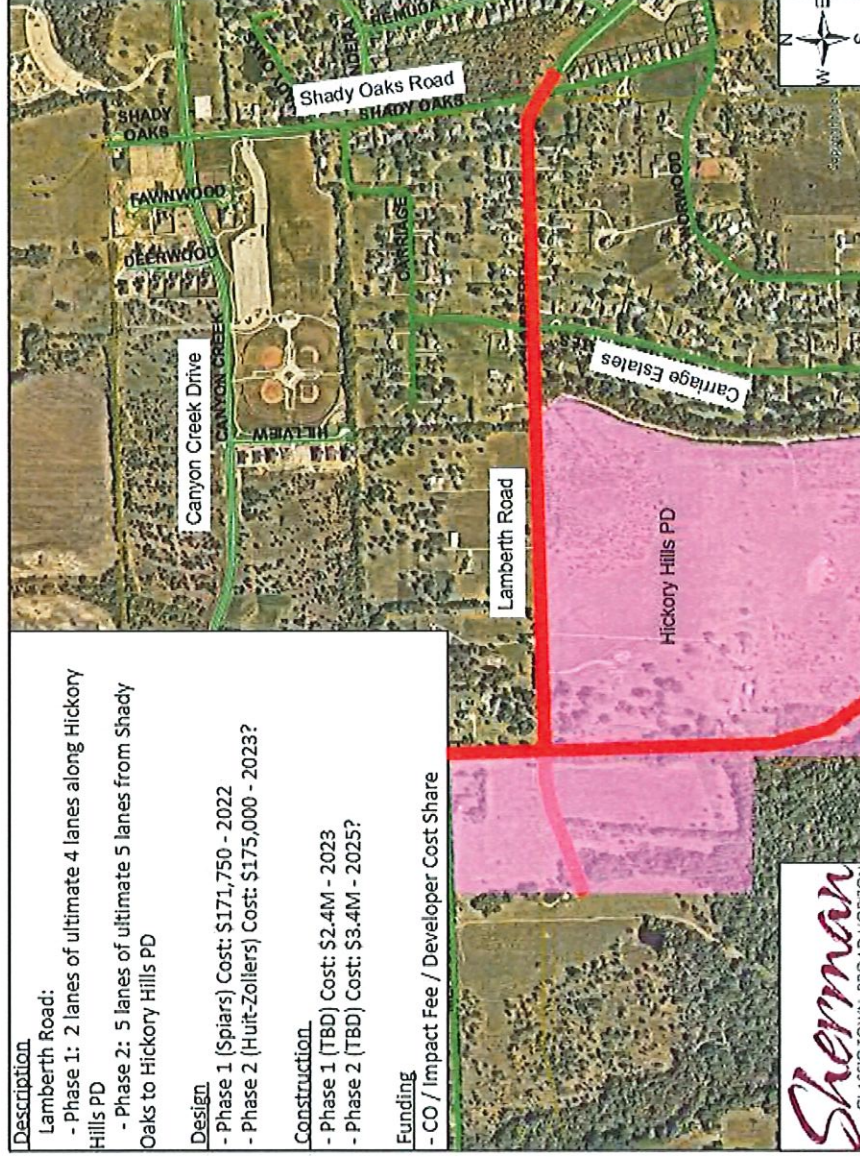




# FM 1417 Extension



# Lamberth Road Extension

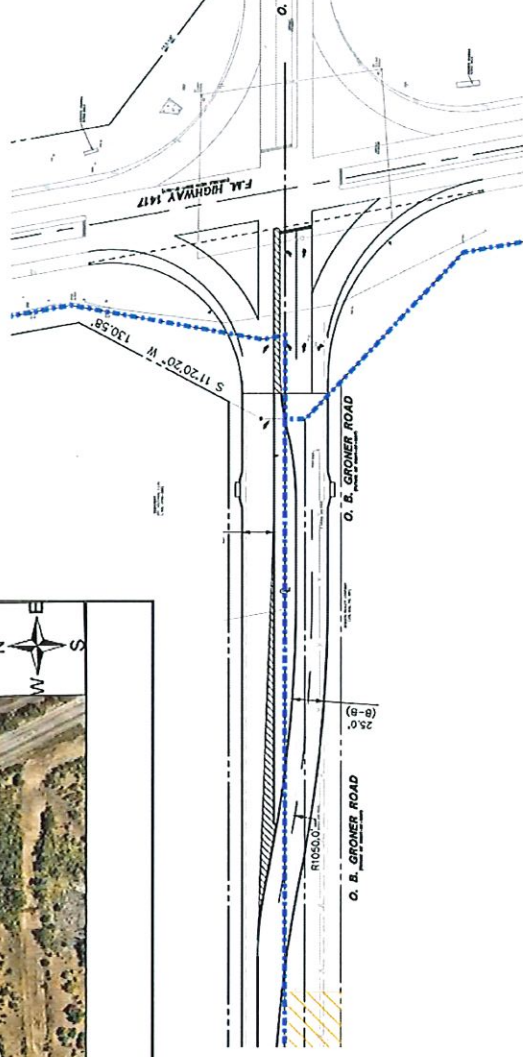




# Friendship Road Extension

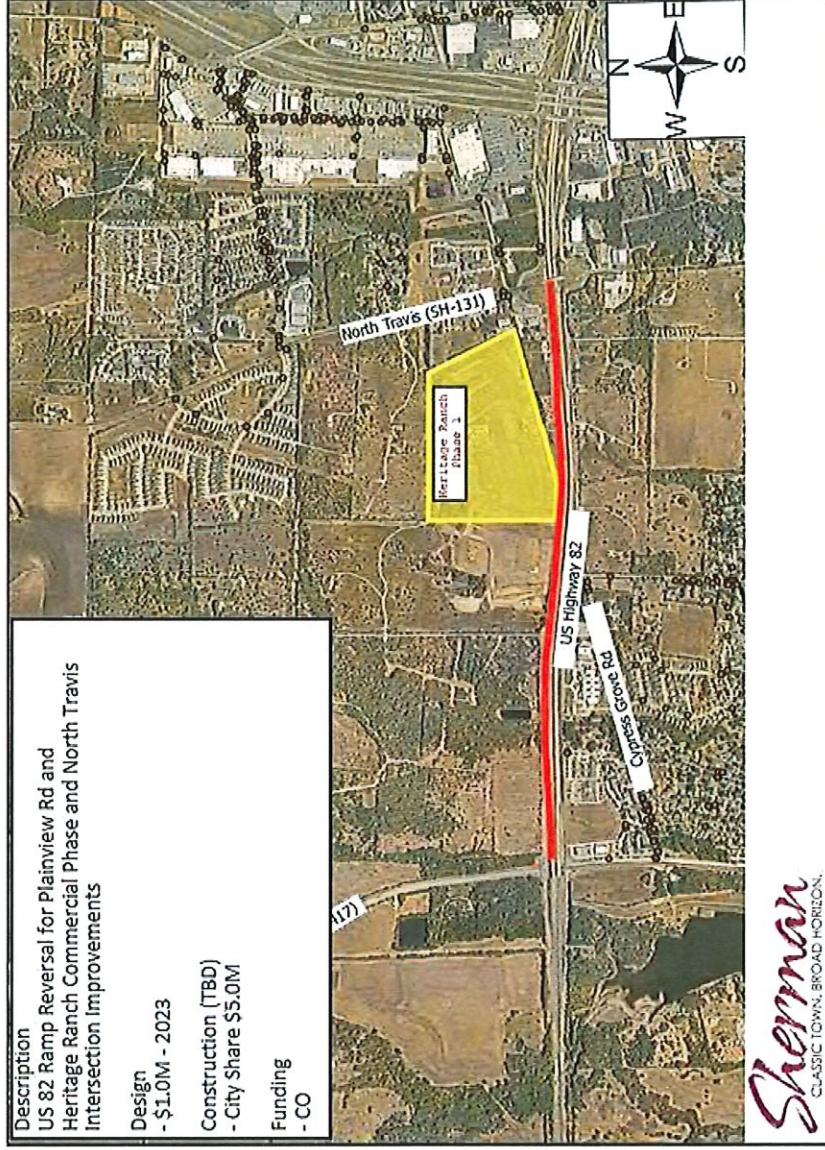


# FM 1417 OB Groner Intersection

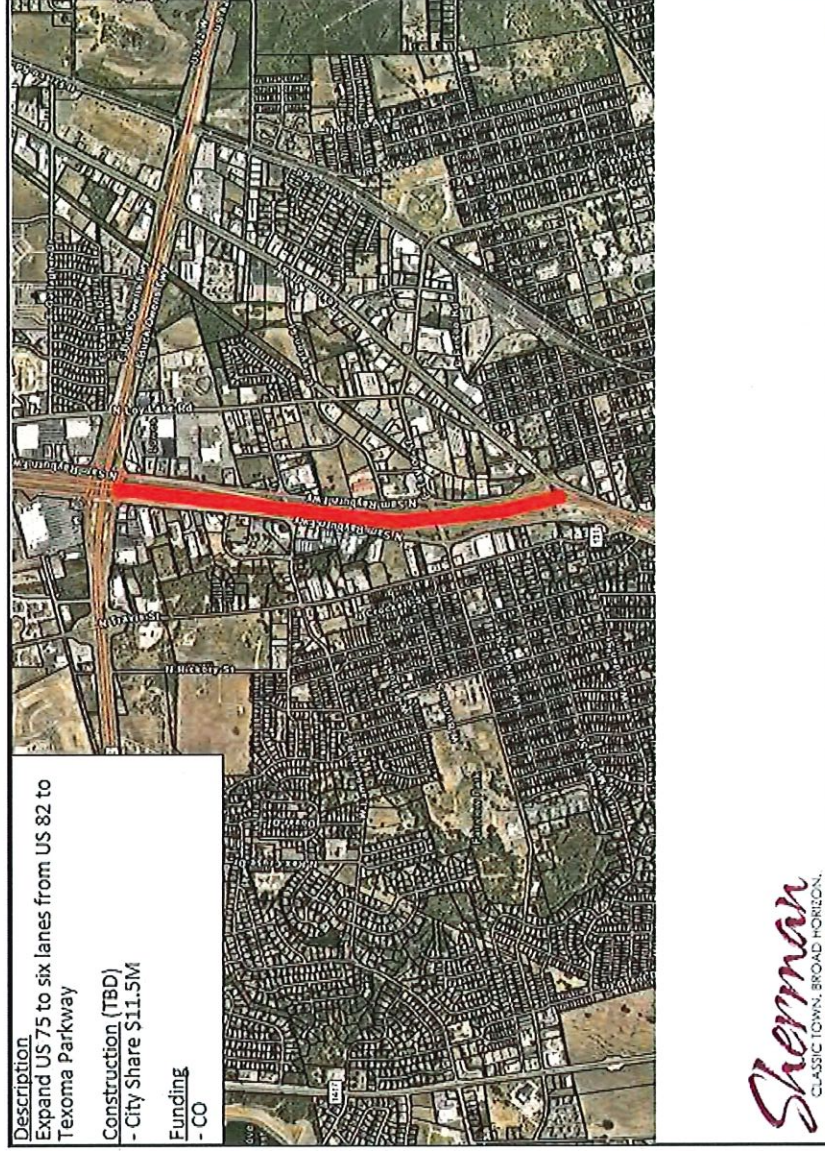




# US 82 Ramp Reversal

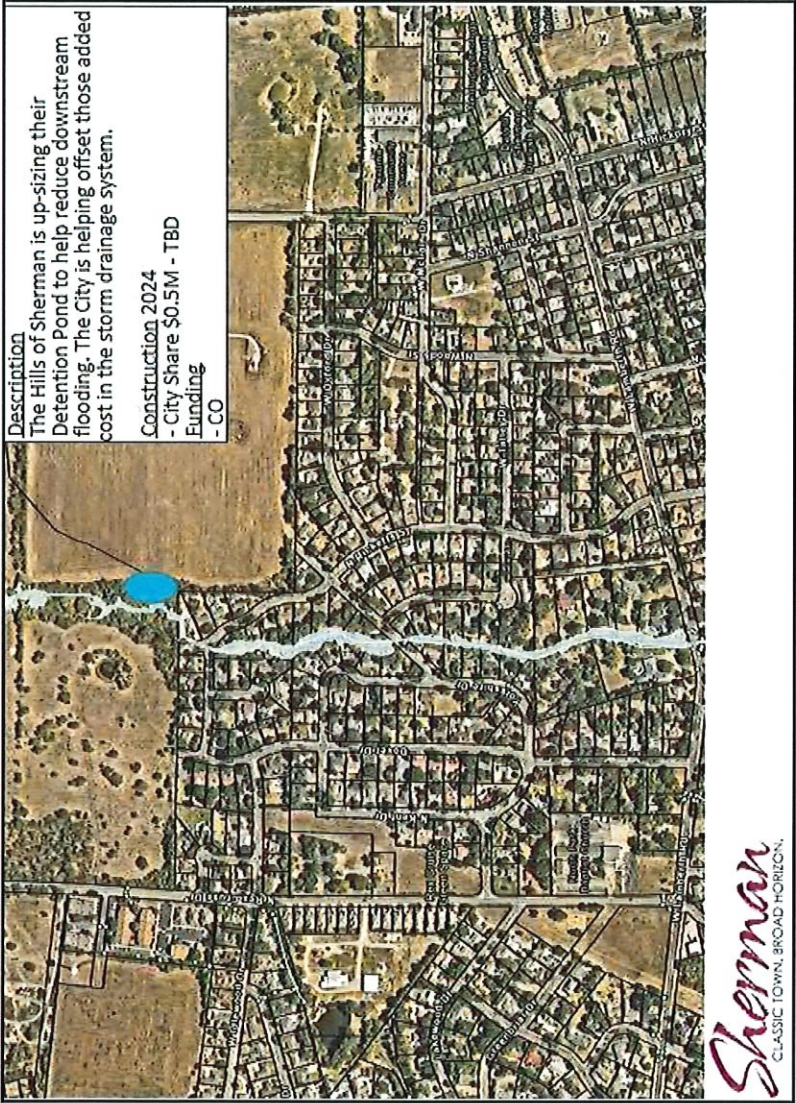


# US 75 Expansion

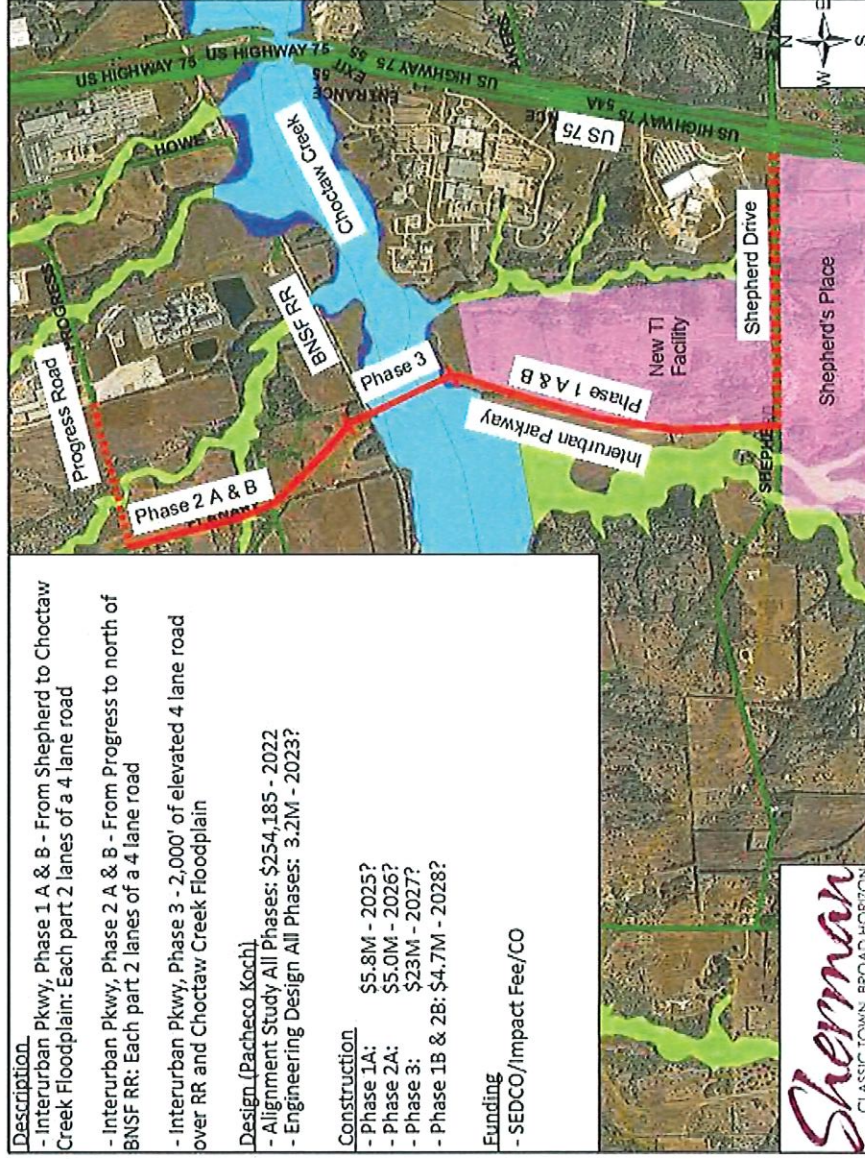




# Hills of Sherman Drainage Improvements



# Interurban Parkway

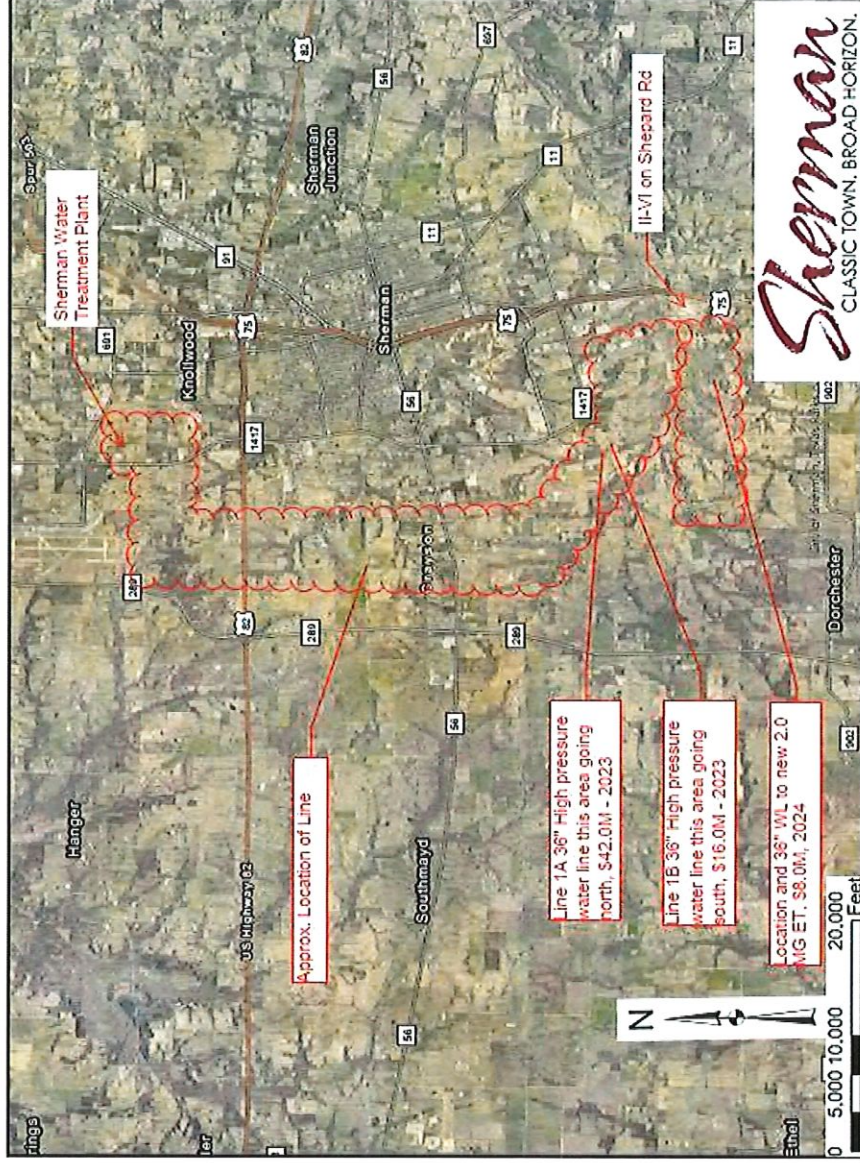




# Utilities



# 36" West Sherman Transmission Line

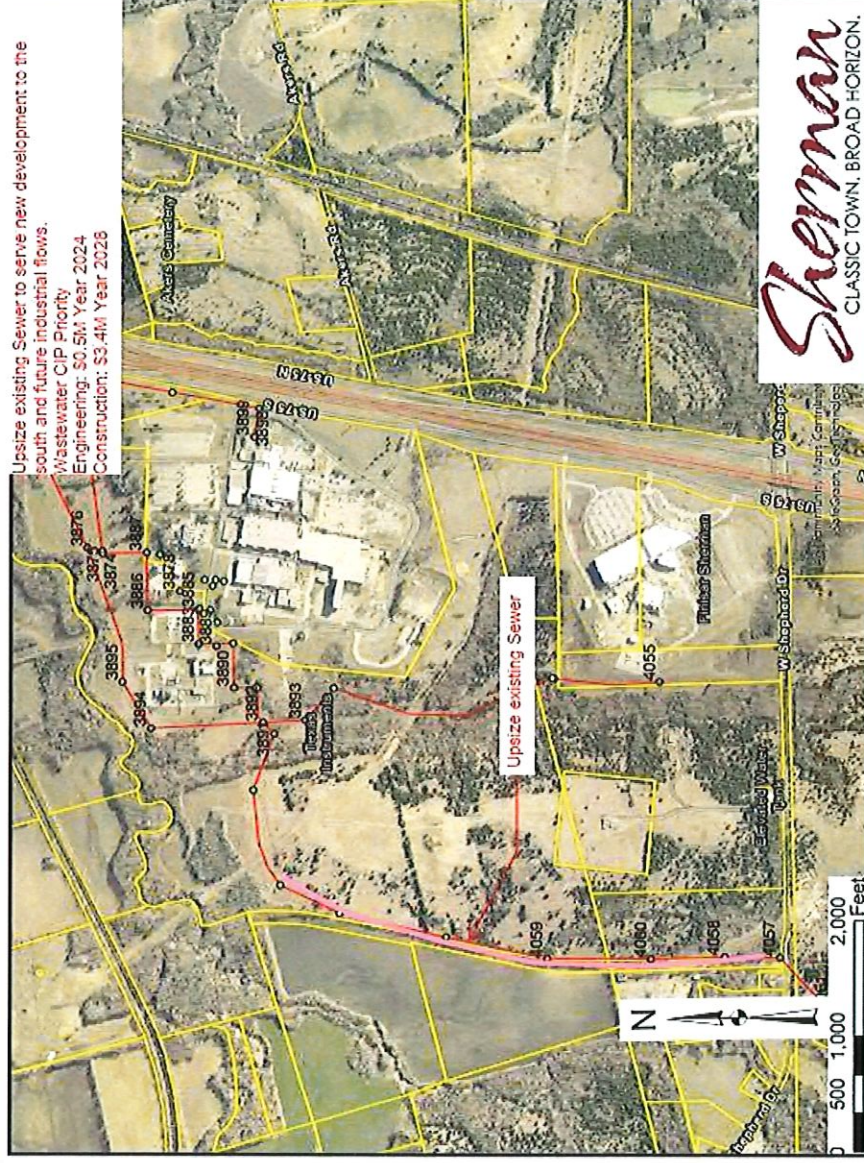




# Bel Air and Legacy Water Line

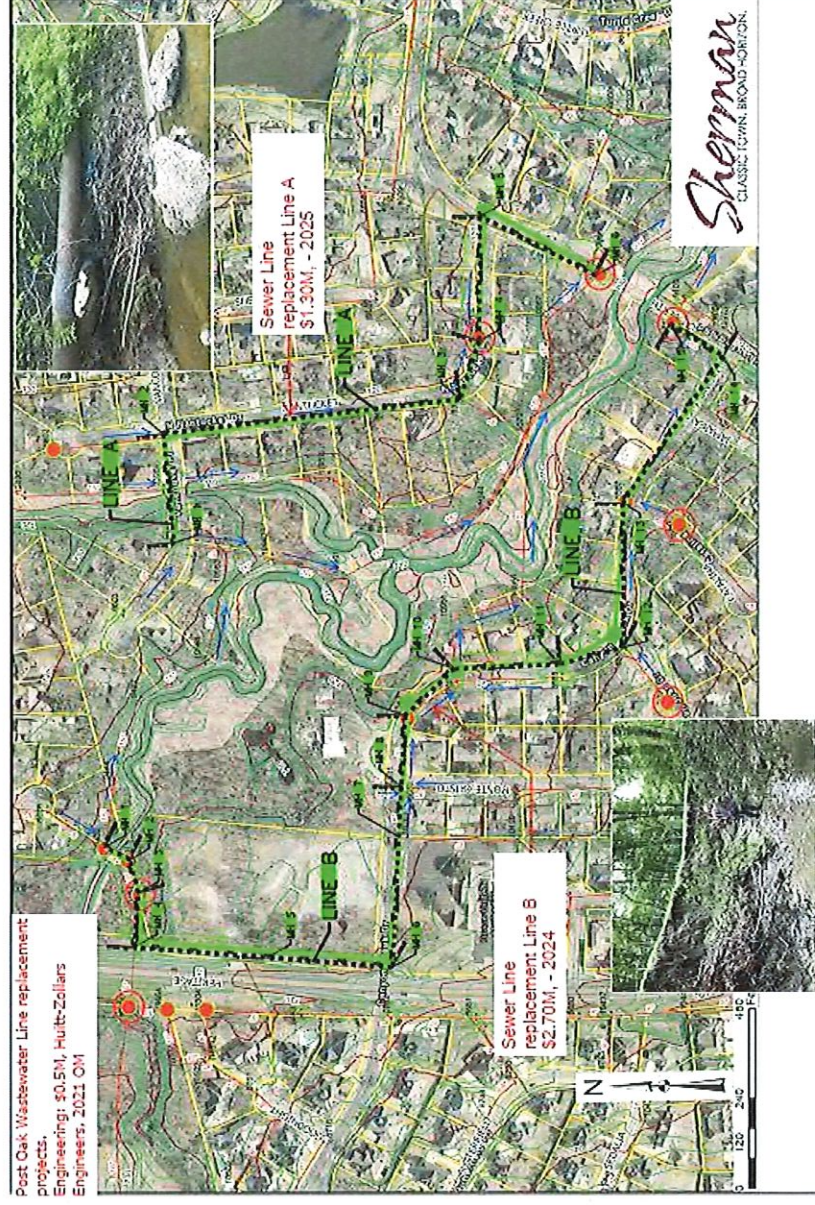


# 15" to 24" Sanitary Sewer Replacement



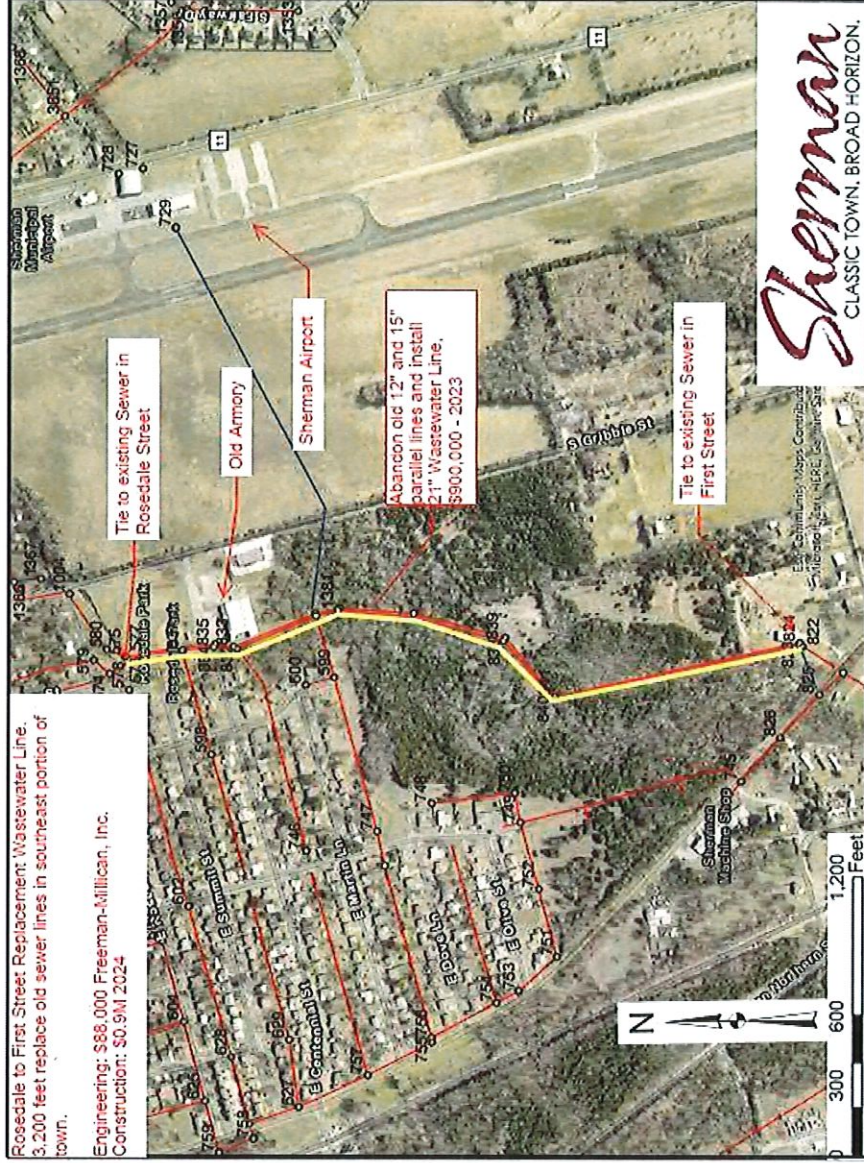


# Post Oak Sanitary Sewer Replacement



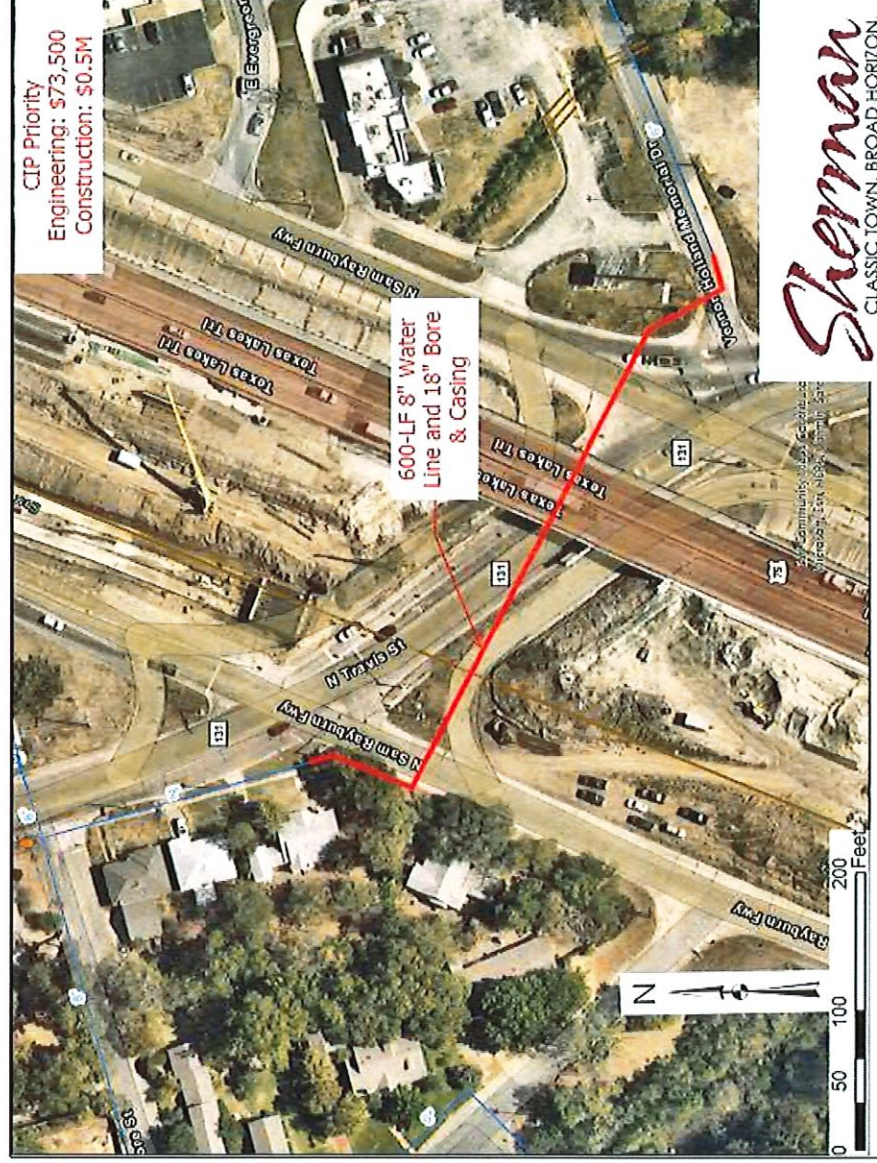


# Rosedale to First Street Sanitary Sewer

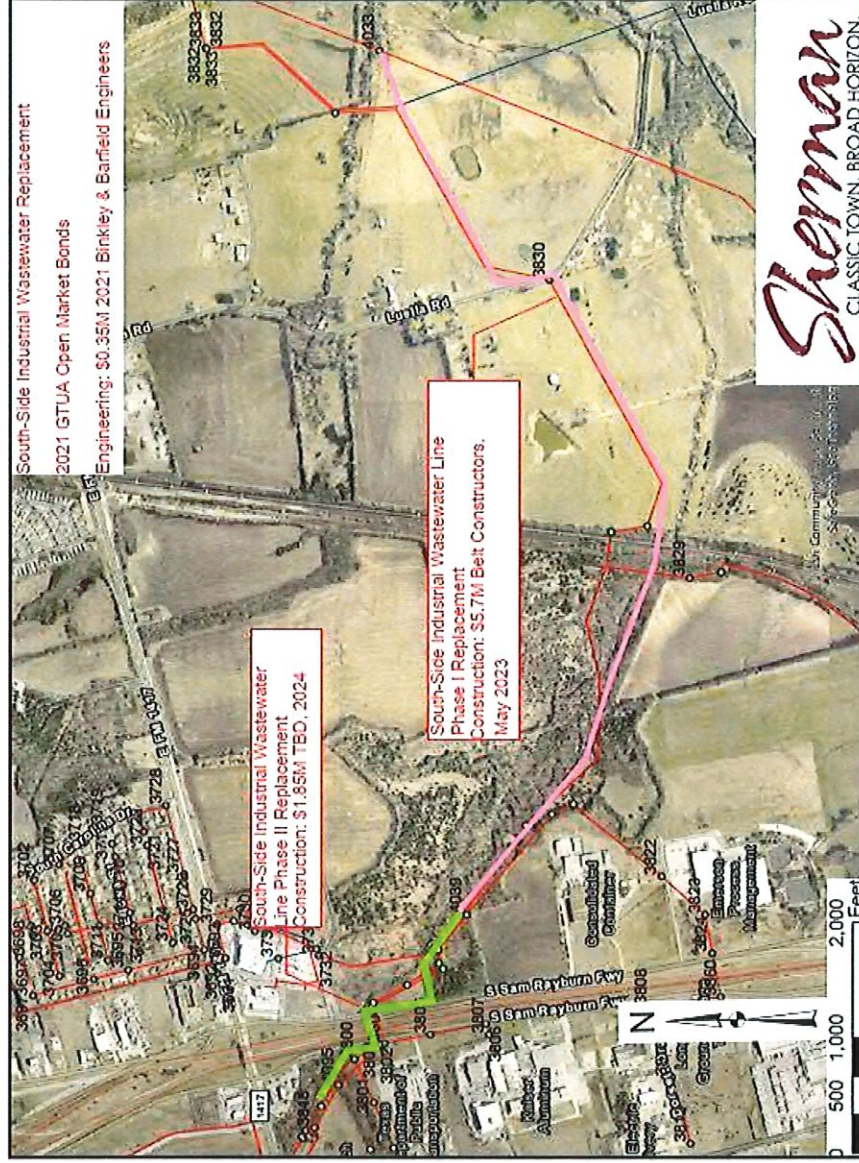




# 8" Water Line under US 75 and Travis St.

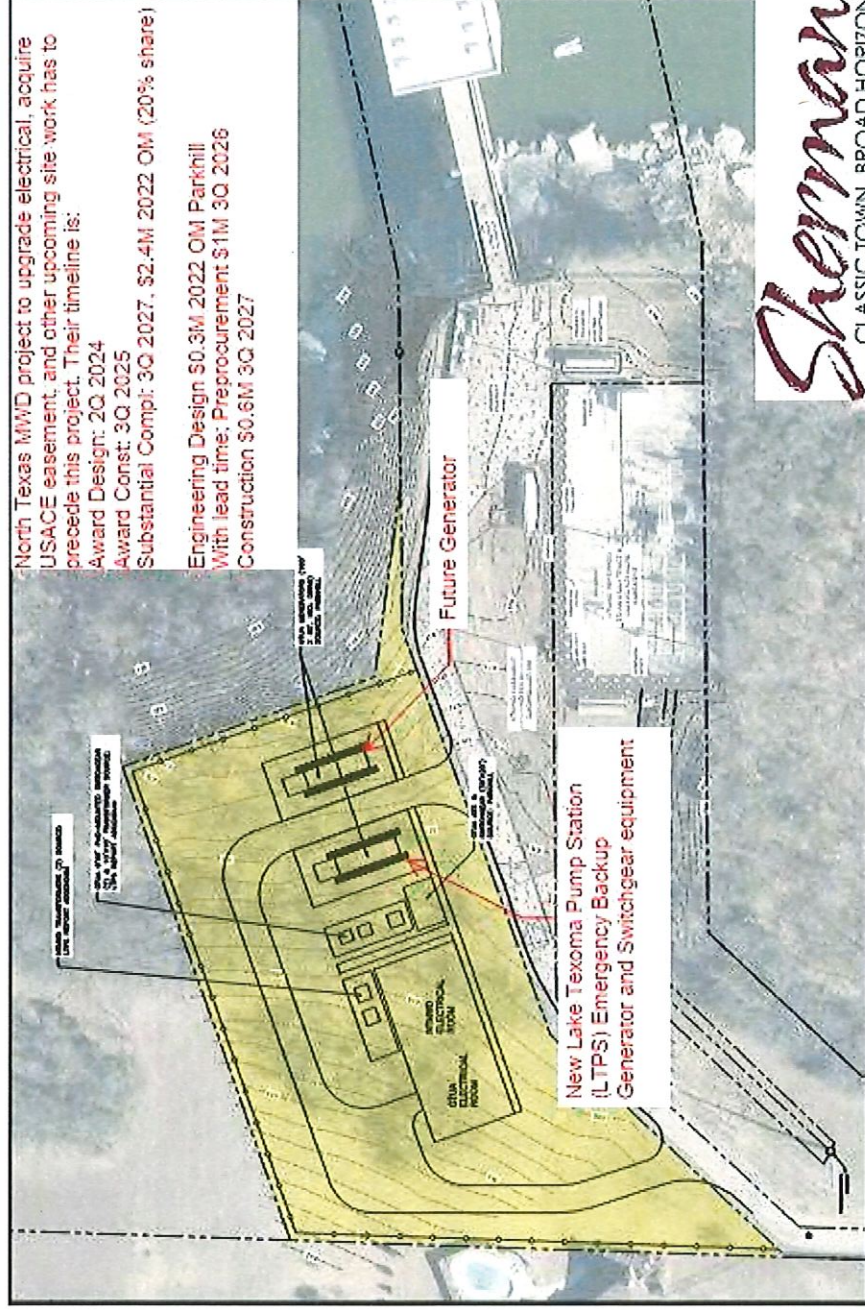


# Southwest Industrial Sewer Line Replacement





# Lake Texoma Pump Station Generator



# Lake Texoma Pump Station Pumps Expansion



New 16 MGD Pump in empty slot 4 and replace 7 MGD pump in slot 1 with a new 16 MGD pump at Lake Texoma Pump Station (LTPS)

| Description                                                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| New Raw Water Pumps to provide increased flow to Water Treatment Plant. Current capacity is 3 pumps at 7-MGD to give 21-MGD total capacity (14-MGD firm with largest pump out of service). The new capacity will be 46-MGD (30-MGD firm with largest pump out of service.) |
| To avoid a future shut down when NTMWD installs the 84" raw water transmission main parallel to the 72", it was determined optimal to install the planned 54" header out into the yard. An ILA agreement to apply Sherman 20% toward the 84" line would apply.             |
| Design: \$1.8M (2023 OM Bonds)                                                                                                                                                                                                                                             |
| Construction - Cost \$12.4M - 2024 budget                                                                                                                                                                                                                                  |
| Funding - 2024 GTUA OM                                                                                                                                                                                                                                                     |



New 54" Header and Stub out for future

Lake Texoma Raw Water Pump Station (LTPS)



# WTP Current Upgrades

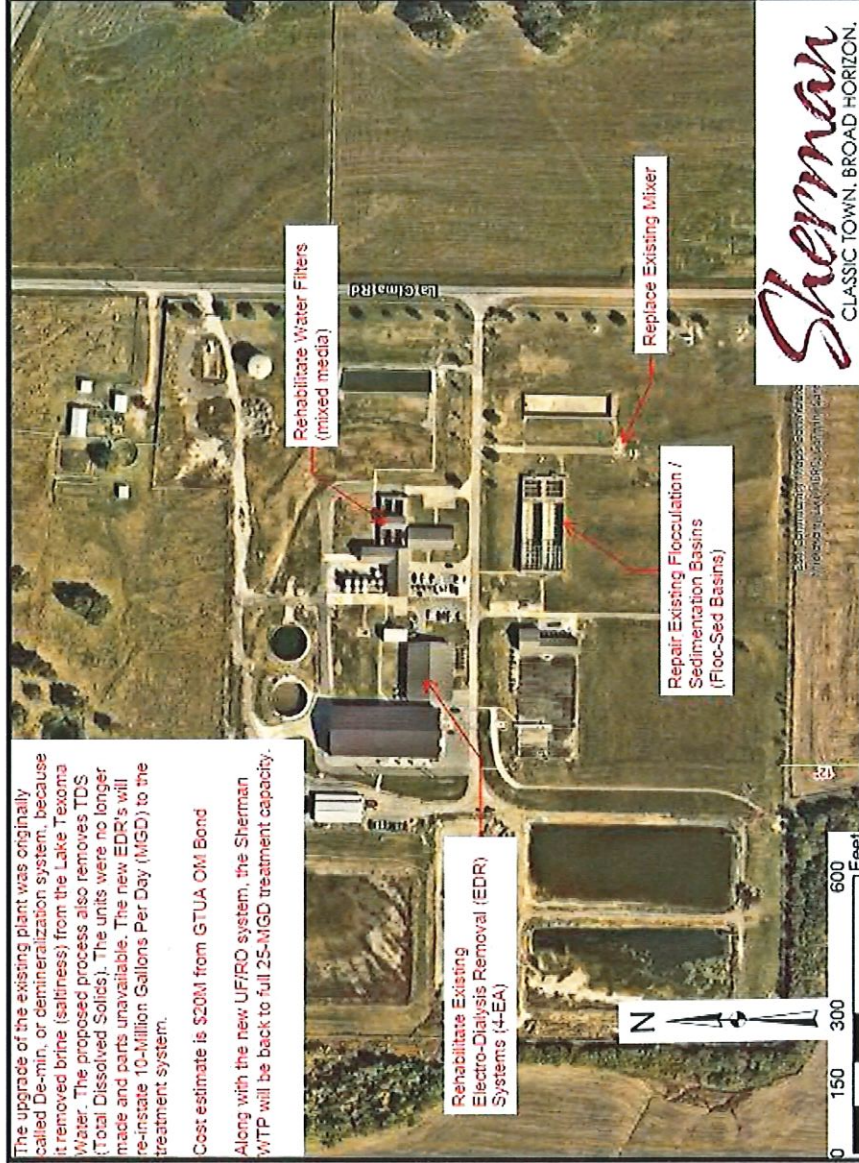


# WTP Concentrate Discharge Line





# WTP Conventional Treatment Rehab.

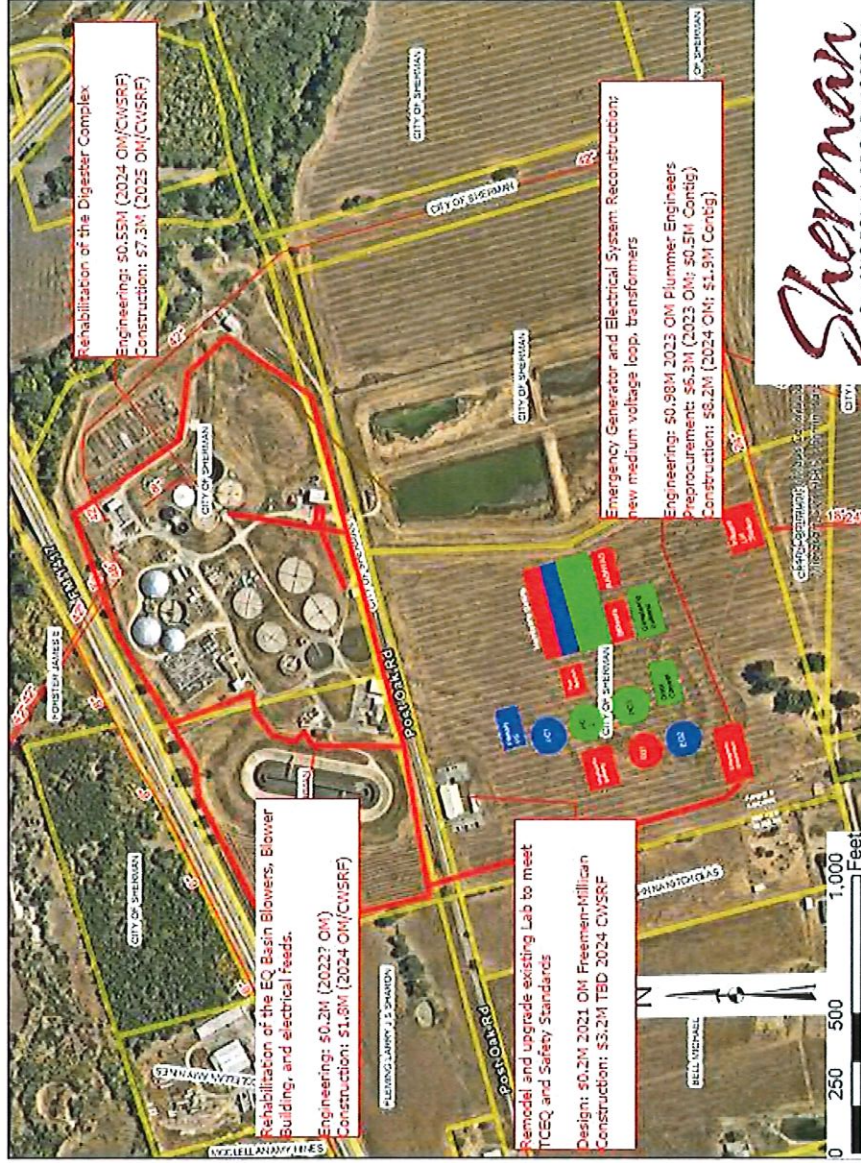


# WTP Future Expansion





# WWTP Existing Plant



*Sherman*  
 CLASSIC TOWN, BROAD HORIZON.

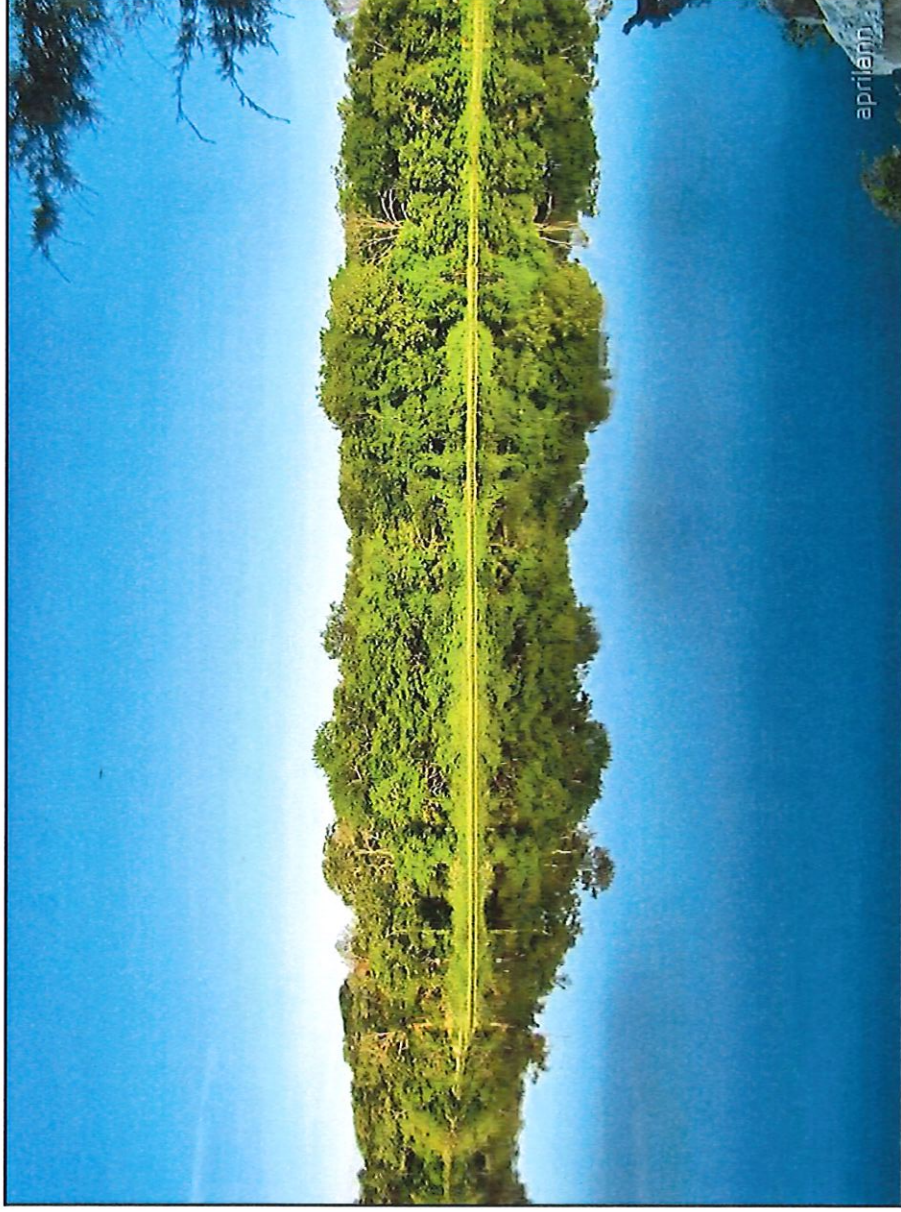
# WWTP 4-MGD Expansions







## Parks







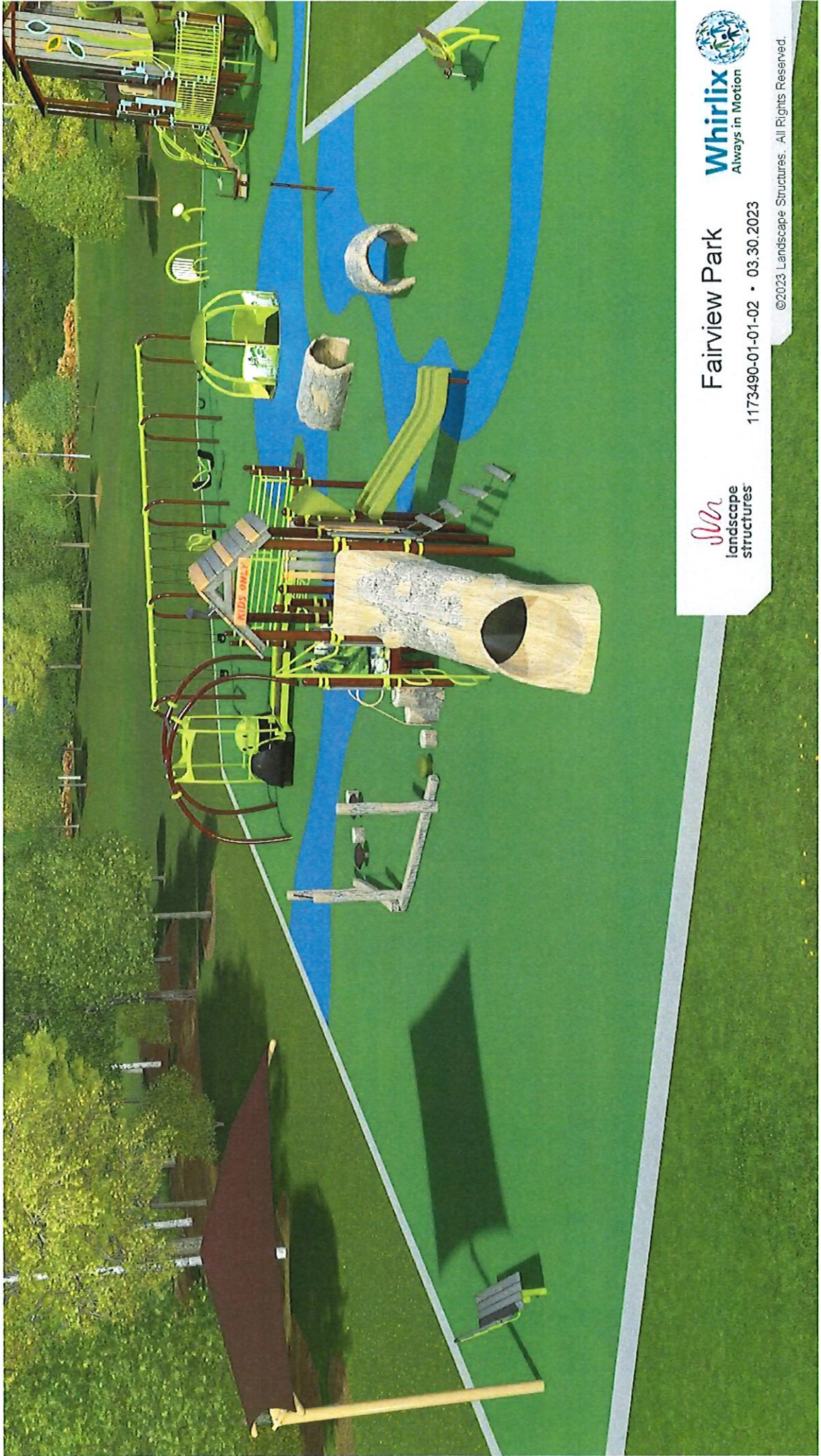
# Fairview Park

1173490-01-01-01 • 03.30.2023



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# Fairview Park

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# Fairview Park

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# Hawn Park

1173491-01-01-01 • 04.04.2023



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## Hawn Park

1173491-01-01-04 • 04.04.2023



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MAIN AQUATIC AREA: 1698 SQ. FT - W/OVERSPRAY: 2507 SQ. FT - 266 GPM - FLT - TK: \$275,000 -\$285,000\*

\*approximate cost





\*approximate cost

MAIN AQUATIC AREA: 2297 SQ. FT - W/OVERSPRAY: 4004 SQ. FT - 275 GPM - FLT - TK: \$500,000 - \$520,000\*





\*approximate  
cost

MAIN AQUATIC AREA: 3250 SQ. FT - W/OVERSPRAY: 4650 SQ. FT - **GPM** -1553 - TK: \$1,000,000\*





ACTIVITY TOWER - \$190,725\*



# BONDS, RATES, OTHER







# Other FY23 CO Bond Uses

(in \$000)

## Parks

|                                     |         |
|-------------------------------------|---------|
| Electrical at Pecan Grove West      | 0.20    |
| Ballfield & Trail lighting at PGW   | 1.40    |
| Trail lighting and restrooms at PGE | 0.70    |
| Northcreek Subdivision Park         | 0.50    |
| Fairview - restroom & concession    | 0.50    |
| Asphalt Pump Track at Binkley Park  | 0.40    |
| Shark Tooth Park                    | 0.20    |
| Master Plan Trail Construction      | 0.80    |
| Parks bucket                        | 10.00   |
| Grant Match                         | 1.20    |
|                                     | \$15.9M |

## Facilities

|                               |       |
|-------------------------------|-------|
| Land - future City facilities | 2.00  |
| City Hall                     | 20.00 |

Total Non-required Projects

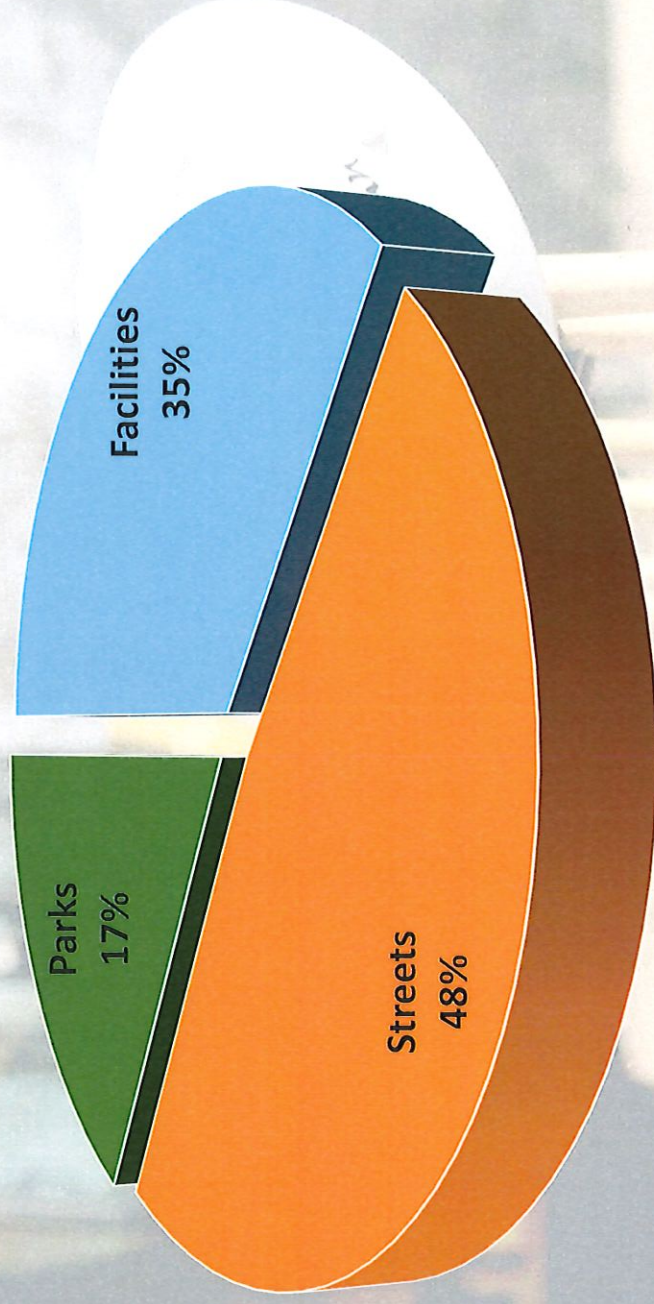
37.90

Totals

\$ 92.75



## FY2023 CO Bond Uses (All)





## Other Projects

|                                     | All Other Projects<br>Amount (in<br>millions) | Incremental<br>Tax Rate |
|-------------------------------------|-----------------------------------------------|-------------------------|
| <i>Parks</i>                        |                                               |                         |
| Electrical at Pecan Grove West      | 0.20                                          | 0.0240                  |
| Ballfield & Trail lighting at PGW   | 1.40                                          | 0.1681                  |
| Trail lighting and restrooms at PGE | 0.70                                          | 0.0840                  |
| Northcreek Subdivision Park         | 0.50                                          | 0.0600                  |
| Fairview - restroom & concession    | 0.50                                          | 0.0600                  |
| Asphalt Pump Track at Binkley Park  | 0.40                                          | 0.0480                  |
| Shark Tooth Park                    | 0.20                                          | 0.0240                  |
| Master Plan Trail Construction      | 0.80                                          | 0.0960                  |
| Parks bucket                        | 10.00                                         | 1.2005                  |
| Grant Match                         | 1.20                                          | 0.1441                  |
|                                     |                                               | \$1.9 cents             |
| <i>Facilities</i>                   |                                               |                         |
| Land - future City facilities       | 2.00                                          | 0.2401                  |
| City Hall                           | 20.00                                         | 2.4010                  |
| Total Non-required Projects         | \$ 37.90                                      | 4.5498                  |
| Totals                              | \$ 92.75                                      | 51.5430                 |
| * SEDCO Funded Projects             | \$ 10.70                                      |                         |
| City Funded Projects                | \$ 82.05                                      |                         |



# Tax Rate Worksheet

**Preliminary** FY24 No New Revenue Tax Rate  
(formerly Effective Tax Rate)

\$ .414 / \$100

**Preliminary** FY24 Voter Approved Tax Rate (adj)  
(formerly Rollback Tax Rate)

\$ .537 / \$100

Current Tax Rate

M&O     \$ .265 / \$100  
I&S     \$ .204 / \$100  
           \$ .469 / \$100

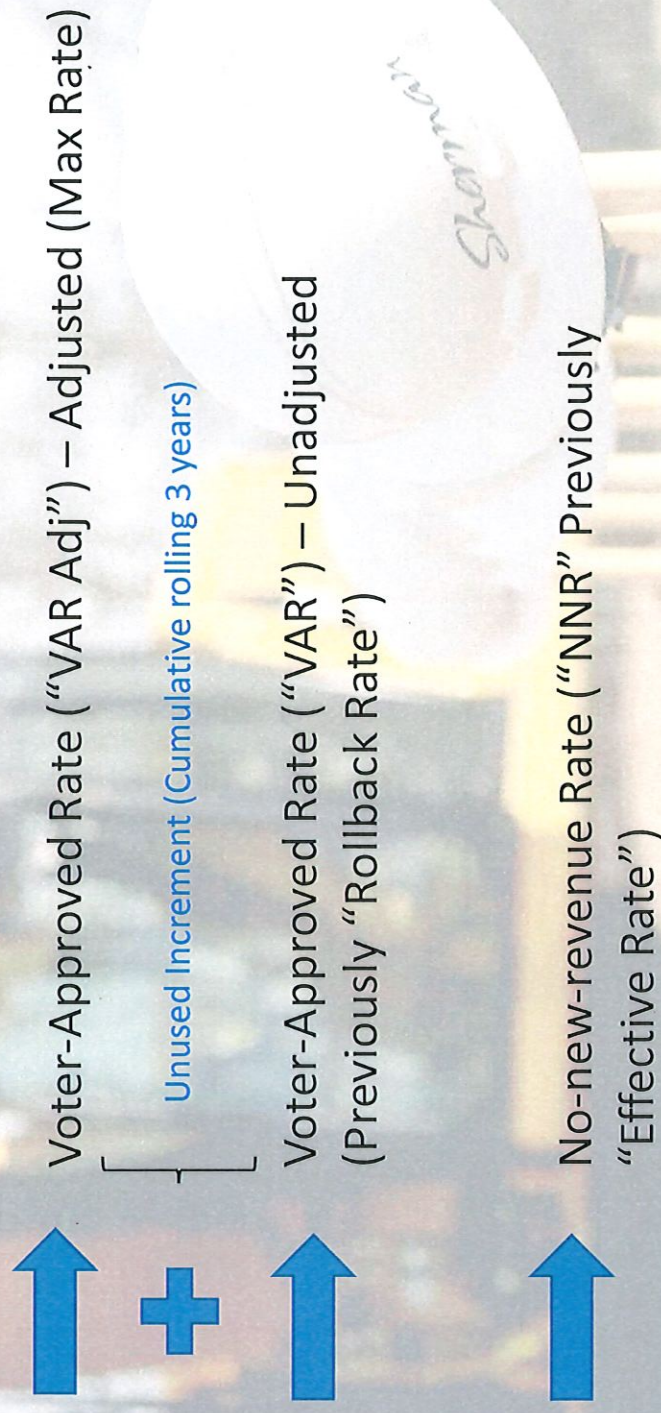
**Preliminary** FY24 Tax Rate

M&O     \$ .260 / \$100  
I&S     \$ .255 / \$100  
           **\$ .515 / \$100**

4.6 cent increase in tax rate, all I&S rate

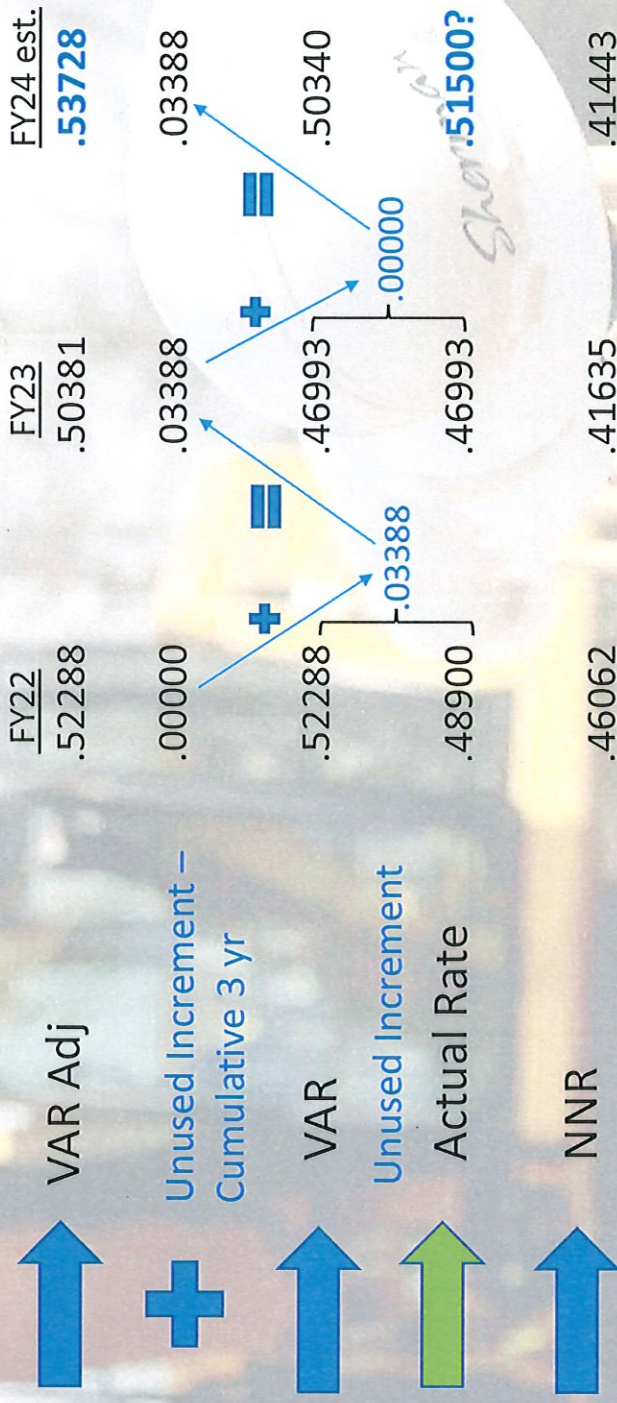


## Tax Rate Management in Texas



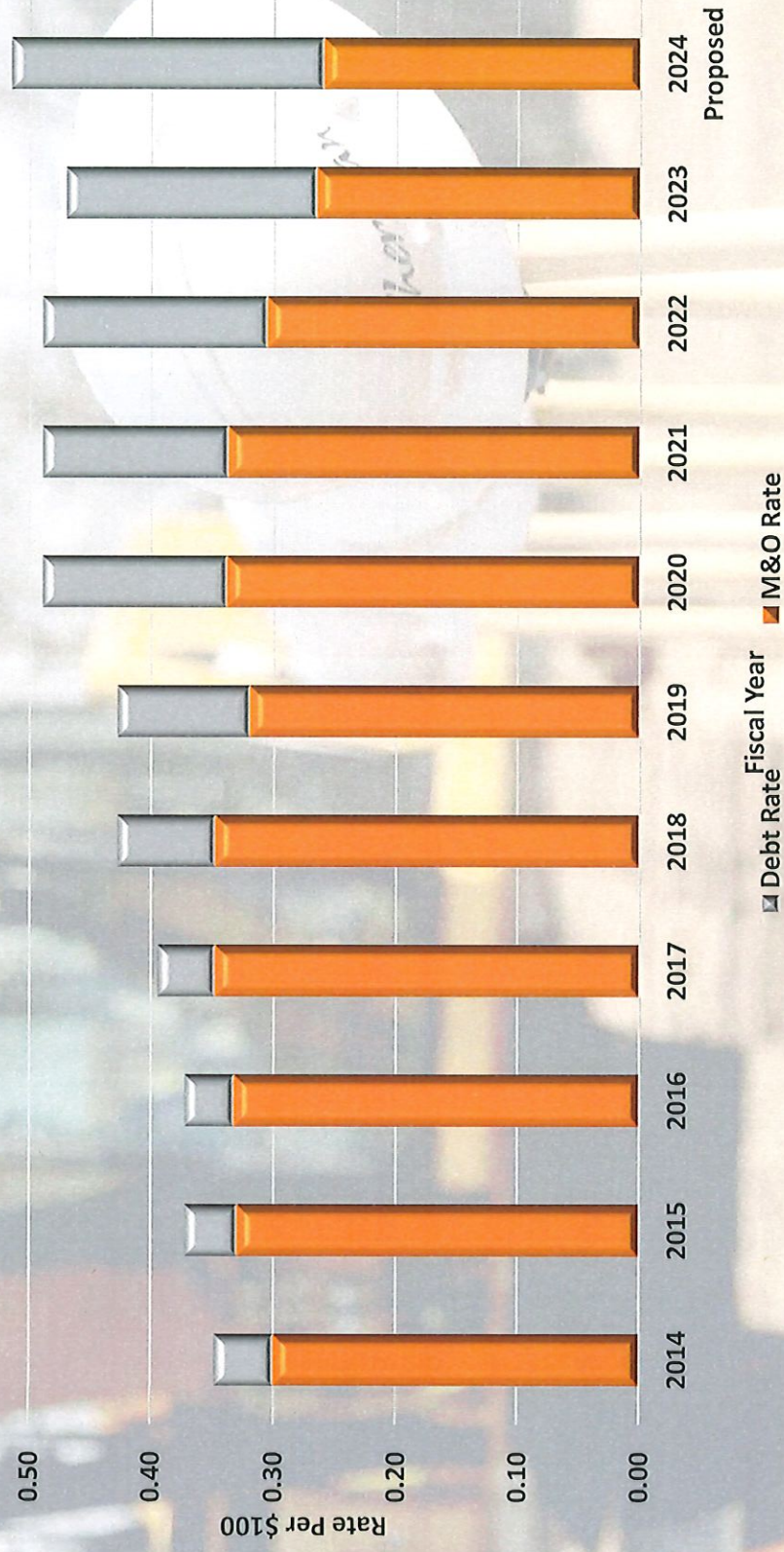


# Tax Rate Management in Sherman





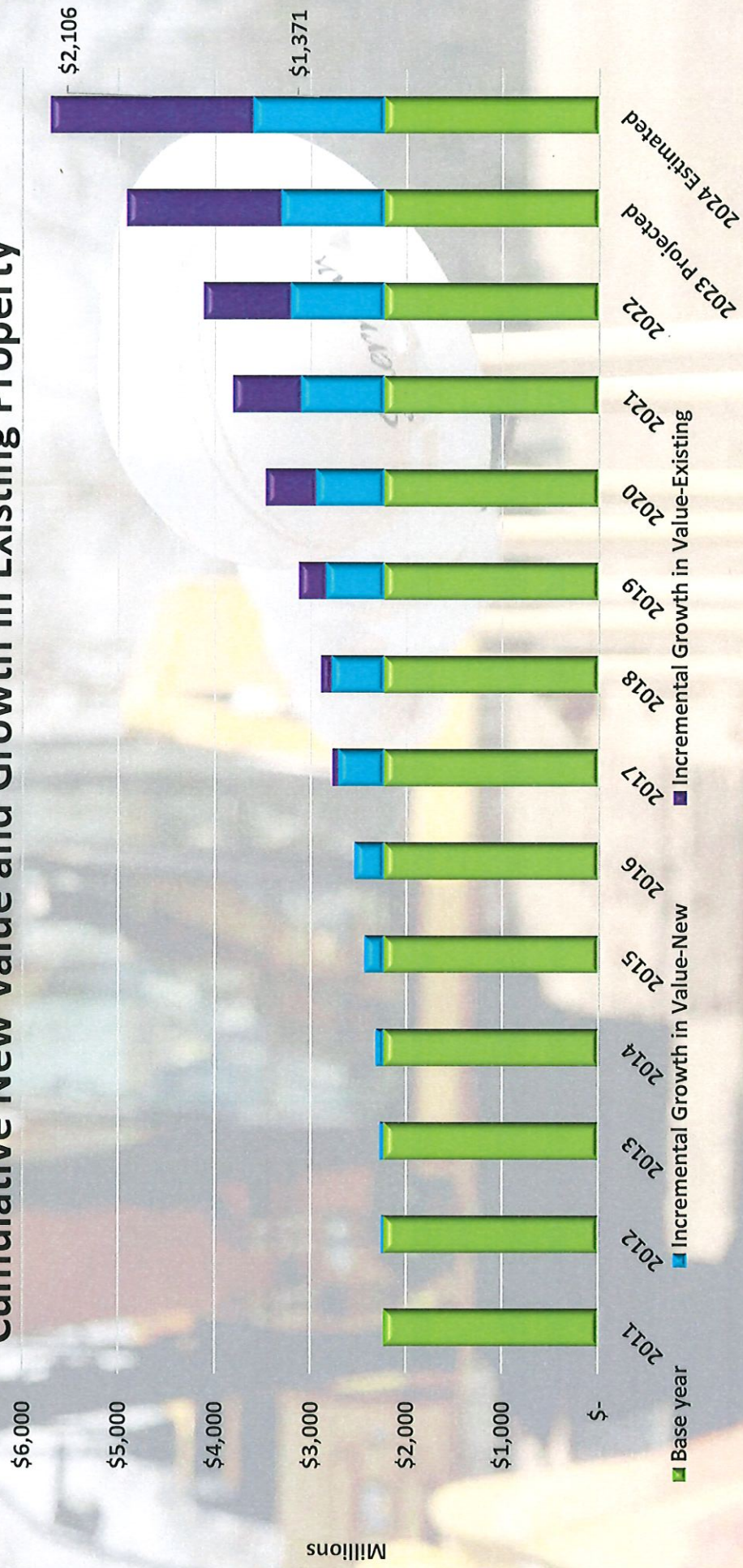
# Historical Tax Rate





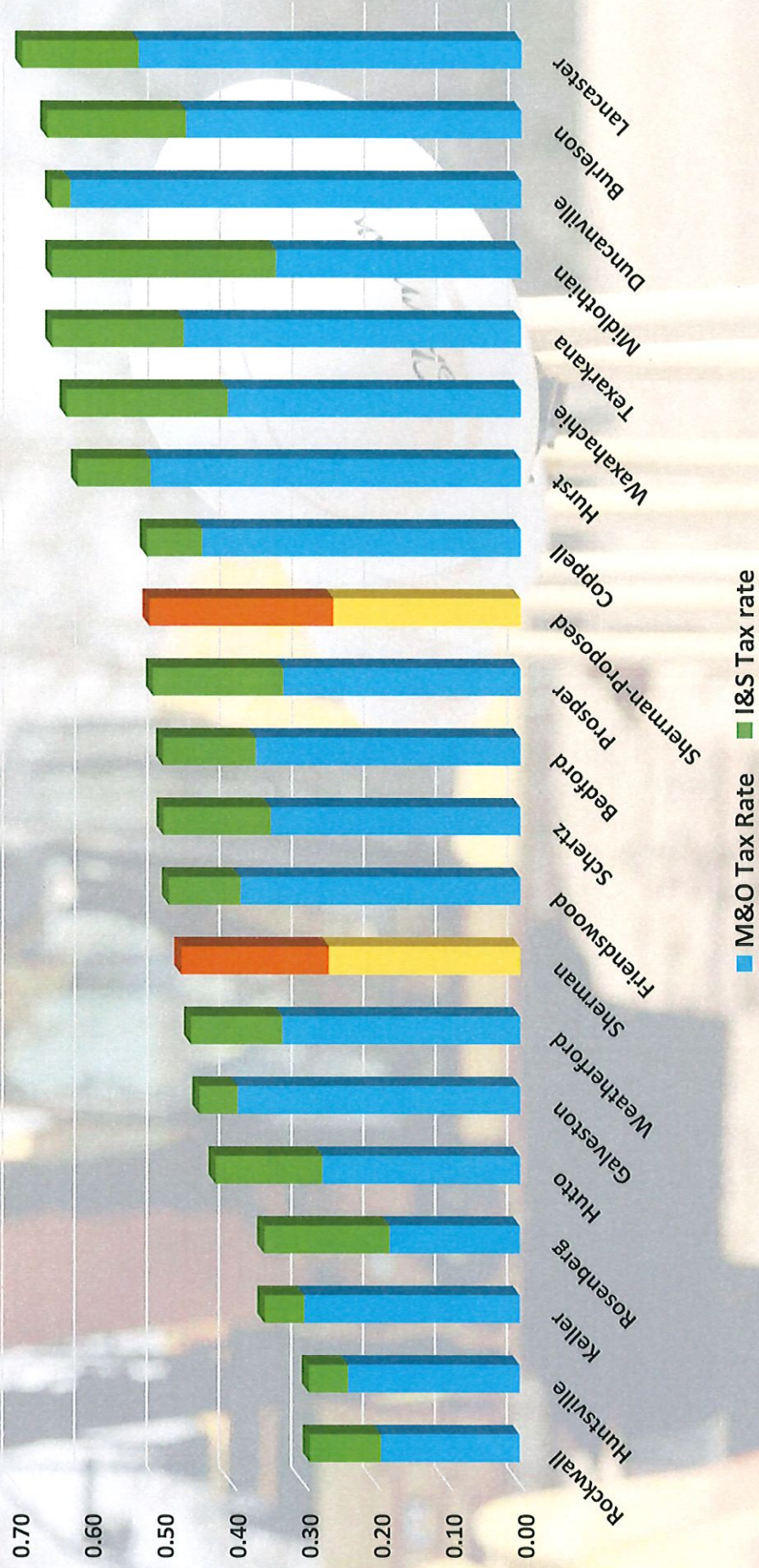
# Historical Property Tax Growth

## Cumulative New Value and Growth in Existing Property



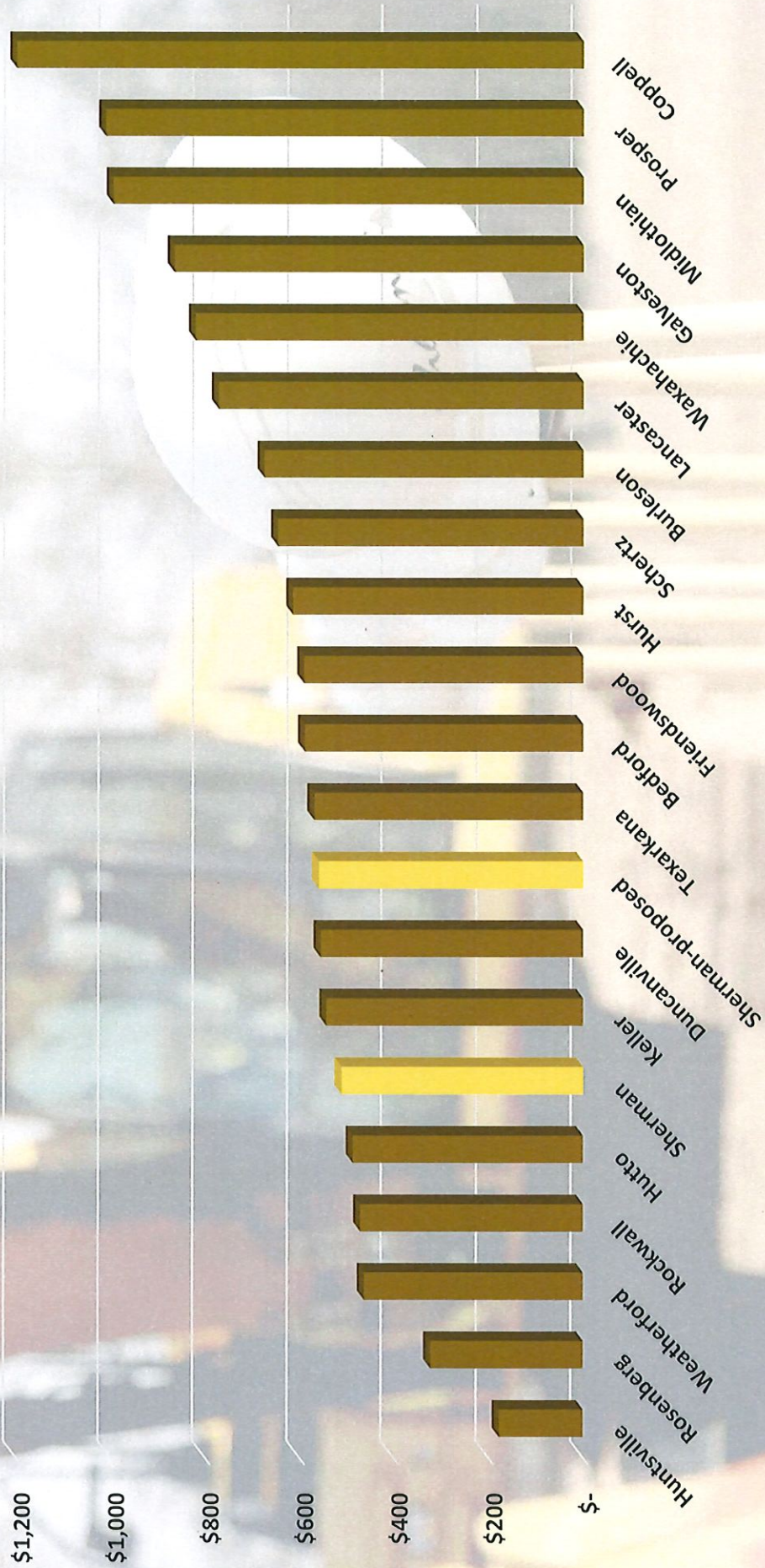


# Tax Rates of Comparably Sized Cities





# Per Capita Property Tax





# Misc. Tax and Debt Stuff

## Tax Statistics

- Estimated Net Taxable value FY23 ~ \$5.1B
- So, \$.01 tax rate = \$512k revenue annually
- And, \$.01 tax rate = \$8.5M in bonded projects

## Debt and FY2024 Budget Preview

- \$55M +/- CO Bond issue can be funded while maintaining the current rate
- Projected utility projects can be funded without increasing recommendations of utility rate study from last year for Residential users



# CO Legislation Update

- Texas HB 1489 – DOA, was replaced by HB4082
- Texas HB 4082 – Left standing in committee
- Texas SB 976/977 –
  - Didn't make it off the Senate Floor
  - Would have required any debt issued that is part of the I&S rate by approved by public vote; i.e., City would have to either pay for that debt service through their M&O rate OR take it to public vote
- So, looks like no major legislation affecting CO's will be passed this session...



# Projected GTUA Debt Issues – Major System Projects

|                                                            | 2023 OM    | 2023A | 2024 OM    | 2025 OM   | 2026 OM     | 2028 OM | Grand Total |
|------------------------------------------------------------|------------|-------|------------|-----------|-------------|---------|-------------|
| 100 MG terminal storage reservoir Construction             |            |       | 30,000,000 |           |             |         | 30,000,000  |
| 15 MGD WTP South (UF/RO) Construction                      |            |       |            |           | 221,892,800 |         | 221,892,800 |
| 15 MGD WTP South (UF/RO) Design                            | 7,038,469  |       |            |           |             |         | 7,038,469   |
| 2 MG Elevated Storage Tank Construction                    |            |       | 13,708,500 |           |             |         | 13,708,500  |
| 2 MG Elevated Storage Tank Contingency                     |            |       | 3,052,875  |           |             |         | 3,052,875   |
| 36" West Sherman Water Main CMAR                           | 11,033,300 |       |            |           |             |         | 11,033,300  |
| 36" West Sherman Water Main Construction                   | 37,116,171 |       |            |           |             |         | 37,116,171  |
| 36" West Sherman Water Main Contingency Construction       | 9,470,000  |       |            |           |             |         | 9,470,000   |
| 36" West Sherman Water Main Land Acquisition               | 11,112,500 |       |            |           |             |         | 11,112,500  |
| 36" West Sherman Water Main Preconstruc Svc                | 588,698    |       |            |           |             |         | 588,698     |
| 42" SS replacement of 24" SS line West of IT Design        |            |       | 570,000    |           |             |         | 570,000     |
| 42" SS replacement of 24" SS line West of TI- Construction |            |       |            | 4,700,000 |             |         | 4,700,000   |
| Bel Air Phase II (Legacy) Waterline                        | 2,220,000  |       |            |           |             |         | 2,220,000   |
| Center St water line relocation                            |            |       | 600,000    |           |             |         | 600,000     |
| Crossroads Sewer for hospital                              |            |       | 1,200,000  |           |             |         | 1,200,000   |
| Heritage Ranch gravity sewer                               | 500,000    |       |            |           |             |         | 500,000     |
| Hickory Hill Utility Improvements Construction             | 2,016,649  |       |            |           |             |         | 2,016,649   |
| Hickory Hill Utility Improvements Engineering              | 102,344    |       |            |           |             |         | 102,344     |
| Inverted siphon sewer line-Construction                    |            |       | 500,000    |           |             |         | 500,000     |
| Lake Texoma Backup Generator                               |            |       | 1,600,000  |           |             |         | 1,600,000   |



# Projected GTUA Debt Issues – Major System Projects (cont'd)

|                                                         | 2023 OM        | 2023A          | 2024 OM       | 2025 OM       | 2026 OM        | 2028 OM       | Grand Total    |
|---------------------------------------------------------|----------------|----------------|---------------|---------------|----------------|---------------|----------------|
| Lake Texoma Electrical Imp (Construction)               |                |                |               |               |                |               | 2,100,000      |
| Lead & Copper Rule Revision (LCRR)-Eng                  | 671,000        |                | 2,100,000     |               |                |               | 671,000        |
| LTPS Expansion 2023 Construction                        |                |                | 10,544,400    |               |                |               | 10,544,400     |
| LTPS Expansion 2023 Contingency                         |                |                | 1,896,600     |               |                |               | 1,896,600      |
| LTPS Expansion 2023 Design                              | 977,500        |                |               |               |                |               | 977,500        |
| Post Oak 4 MGD WWTP Improvements Construction           |                |                |               |               |                | 50,000,000    | 50,000,000     |
| Post Oak 4 MGD WWTP Improvements Design                 | 11,369,931     |                |               |               |                |               | 11,369,931     |
| Post Oak 4 MGD WWTP Improvements Prepurchase            |                |                |               |               |                | 20,000,000    | 20,000,000     |
| Post Oak Creek Sewer Phase I                            |                |                | 2,400,000     |               |                |               | 2,400,000      |
| Post Oak Creek Sewer Phase I 25% Contingency            |                |                | 647,000       |               |                |               | 647,000        |
| Post Oak Creek Sewer Phase I Eng                        | 404,800        |                |               |               |                |               | 404,800        |
| Post Oak Creek Sewer Phase II                           |                |                | 1,300,000     |               |                |               | 1,300,000      |
| Post Oak Creek Sewer Phase II 25% Contingency           |                |                | 340,000       |               |                |               | 340,000        |
| Post Oak WWTP Electrical Improvements Construction      |                |                | 6,326,530     |               |                |               | 6,326,530      |
| Post Oak WWTP Electrical Improvements Contingency       | 1,468,500      |                | 1,897,959     |               |                |               | 3,366,459      |
| Post Oak WWTP Electrical Improvements Prepurchase       | 4,895,100      |                |               |               |                |               | 4,895,100      |
| Rehab Clarifier #3                                      |                |                |               | 1,120,000     |                |               | 1,120,000      |
| Rehab Main Digester Complex                             |                |                | 500,000       | 7,300,000     |                |               | 7,800,000      |
| Rehab of conventional plant                             |                | 20,000,000     |               |               |                |               | 20,000,000     |
| Rehab Rex Cruise EST Construction                       | 500,000        |                |               |               |                |               | 500,000        |
| Replace southside industrial sewer construction Phase I | 5,700,000      |                |               |               |                |               | 5,700,000      |
| Sherman WTP Concentrate Discharge System Construction   | 7,000,000      |                |               |               |                |               | 7,000,000      |
| Sherman WTP Concentrate Discharge System Contingency    | 2,000,000      |                |               |               |                |               | 2,000,000      |
| Sherman WTP Concentrate Discharge System Design         | 890,300        |                |               |               |                |               | 890,300        |
| Southside Industrial Sewer Phase II                     |                |                | 1,000,000     |               |                |               | 1,000,000      |
| WWTP Industrial Exp - Eng & Construction                |                | 155,000,000    |               |               |                |               | 155,000,000    |
| Grand Total                                             | \$ 117,075,262 | \$ 175,000,000 | \$ 80,183,864 | \$ 13,120,000 | \$ 221,892,800 | \$ 70,000,000 | \$ 677,271,926 |

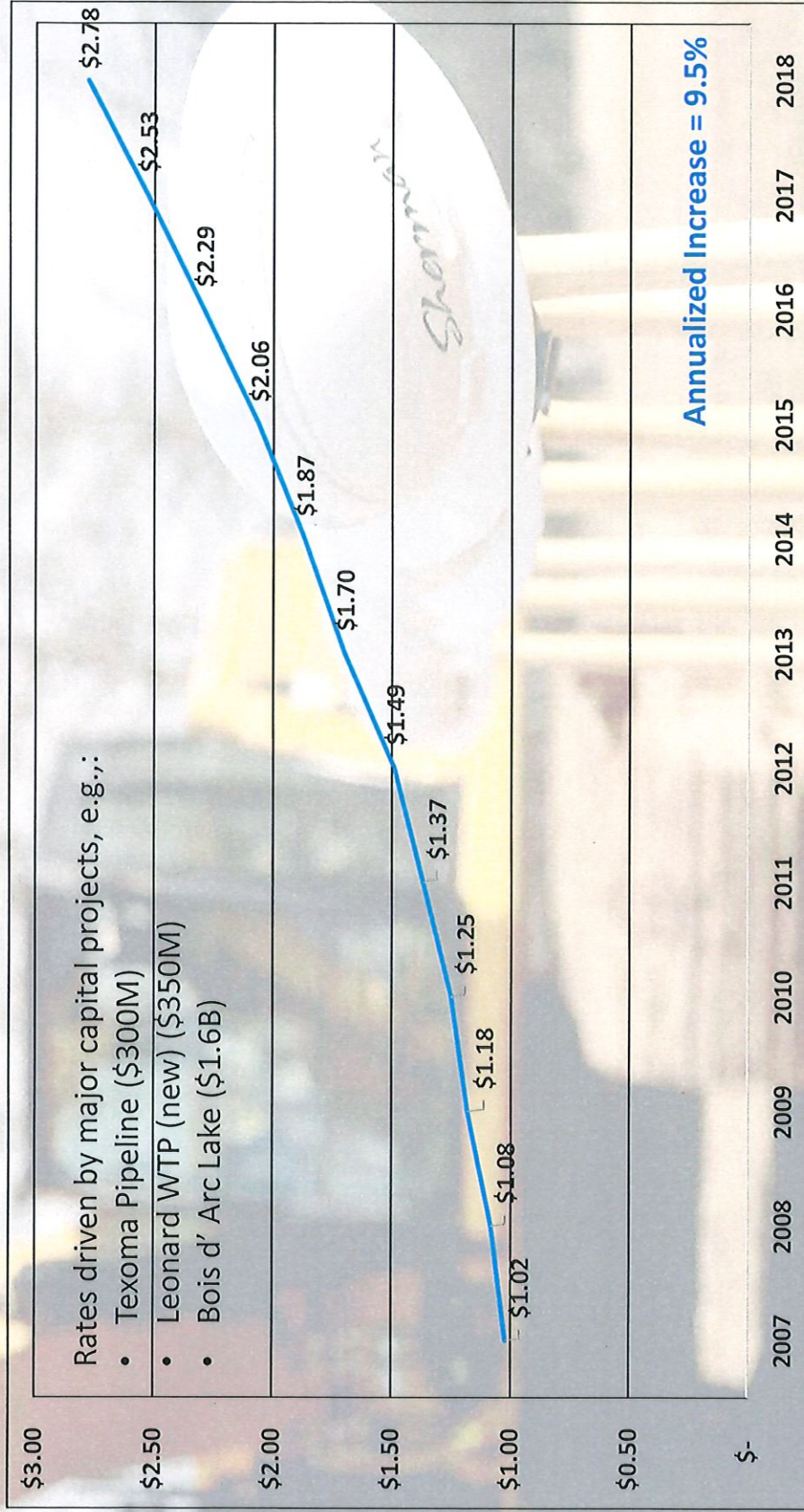


# Sample Utility Fund Financial Projections

| UTILITY FUND           | FY 2023      | FY 2024      | FY 2025      | FY 2026       | FY 2027       | FY 2028       | FY 2029       | FY 2030       |
|------------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Beginning Fund Balance | \$ 1,409,771 | \$ 4,084,300 | \$ 7,628,351 | \$ 9,875,383  | \$ 13,780,588 | \$ 15,273,519 | \$ 18,849,303 | \$ 20,116,091 |
| Water Sales            | 15,608,765   | 16,389,203   | 18,028,124   | 20,732,342    | 23,842,193    | 26,226,413    | 27,537,733    | 28,914,620    |
| Sewer Sales            | 11,096,986   | 11,651,835   | 12,817,019   | 14,739,572    | 16,950,507    | 18,645,558    | 19,577,836    | 20,556,728    |
| Water Vol Rev Incr     |              |              | 1,943,040    | 4,238,256     | 8,090,738     | 12,530,402    | 16,356,092    | 25,693,097    |
| Sewer Vol Rev Incr     |              |              | 1,619,200    | 3,732,256     | 6,917,627     | 10,799,598    | 13,732,235    | 17,269,871    |
| SEDCO Contribution     |              | 1,000,000    | 1,000,000    | 1,000,000     | 1,000,000     | -             | -             | -             |
| General Fund Transfers |              | -            | -            | -             | 3,500,000     | -             | -             | -             |
| Impact Fees            | 1,059,784    | 1,100,000    | 1,100,000    | 1,100,000     | 1,100,000     | 1,100,000     | 1,100,000     | -             |
| Non-Rate Other         | 3,108,276    | 2,870,456    | 2,479,428    | 6,112,350     | 2,125,660     | 2,139,368     | 2,153,488     | 2,168,032     |
| Transfers in           |              | -            |              |               |               | -             |               |               |
| Total Revenues         | 30,873,811   | 33,011,495   | 38,986,811   | 51,654,776    | 63,526,726    | 71,441,339    | 80,457,384    | 94,602,349    |
| Operating              | 17,127,415   | 17,892,175   | 19,246,927   | 20,294,660    | 22,309,352    | 24,480,199    | 26,502,396    | 28,759,574    |
| Capital Outlay         | 1,193,561    | 1,235,000    | 1,235,000    | 1,235,000     | 1,235,000     | 1,235,000     | 1,235,000     | 1,235,000     |
| Debt Service           | 6,951,194    | 7,325,344    | 13,152,478   | 23,021,377    | 35,194,953    | 38,757,031    | 47,958,075    | 62,419,068    |
| Transfers              | 2,927,112    | 3,014,925    | 3,105,373    | 3,198,534     | 3,294,490     | 3,393,325     | 3,495,125     | 3,599,979     |
| Total Expenditures     | 28,199,282   | 29,467,444   | 36,739,778   | 47,749,571    | 62,033,795    | 67,865,555    | 79,190,596    | 96,013,621    |
| Excess (Deficit)       | 2,674,529    | 3,544,051    | 2,247,032    | 3,905,205     | 1,492,931     | 3,575,784     | 1,266,788     | (1,411,272)   |
| Ending Fund Balance    | \$ 4,084,300 | \$ 7,628,351 | \$ 9,875,383 | \$ 13,780,588 | \$ 15,273,519 | \$ 18,849,303 | \$ 20,116,091 | \$ 18,704,819 |
| Days in Fund Balance   |              | 94           | 98           | 105           | 90            | 101           | 93            | 71            |
| Debt Coverage          | 1.98         | 2.06         | 1.50         | 1.36          | 1.17          | 1.21          | 1.13          | 1.05          |



# NTMWD Member Rate History During Capital Expansion





# FY2023-24 Budget Workshop – What to Expect

- Balanced operating budgets for General and Utility Funds
- More discussion on putting the operating and CIP workplan together
- Updates on various aspects of operations – Public Safety, Public Works, Utility Rate Plan (WillDan), Utility Master Plan (Freeze and Nichols), Facilities, Neighborhood Enhancement, Parks
- Two desserts??



# 2023 Rate Plan Proposal

- Implement **Inverted Block** rate structure for water and wastewater customers
- Benefits: will encourage conservation and will recover higher demand/strength costs for high volume customers
- Challenges: higher charges on high volume users

| Volume Blocks     |         | Current | Proposed<br>Year 1 | Proposed<br>Year 2 | Proposed<br>Year 3 | Proposed<br>Year 4 |
|-------------------|---------|---------|--------------------|--------------------|--------------------|--------------------|
| Premium Per Block |         |         | \$ 0.25 \$         | 0.50 \$            | 1.00 \$            | 1.25               |
| <b>WATER</b>      |         |         |                    |                    |                    |                    |
| 1,500             | 20,000  | \$ 3.47 | 3.47 \$            | 3.47 \$            | 3.58 \$            | 3.79               |
| 20,001            | 100,000 | 3.47    | 3.72               | 3.97               | 4.58               | 5.04               |
| 100,001           | 500,000 | 3.47    | 3.97               | 4.47               | 5.58               | 6.29               |
| 500,001           | Above   | 3.47    | 4.22               | 4.97               | 6.58               | 7.54               |
| <b>WASTEWATER</b> |         |         |                    |                    |                    |                    |
| 1,500             | 100,000 | 3.95    | 3.95               | 3.95               | 4.07               | 4.19               |
| 100,001           | 500,000 | 3.95    | 4.20               | 4.45               | 5.07               | 5.44               |
| 500,001           | Above   | 3.95    | 4.45               | 4.95               | 6.07               | 6.69               |



**Sherman**  
CLASSIC TOWN. BROAD HORIZON.

Oct-27