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**MAYOR DAVID PLYLER; DEPUTY MAYOR PAM HOWETH.
COUNCIL MEMBERS HOLLAND, STEELE, STEVENSON,
TEAMANN.**

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**OF AD VALOREM PROPERTY TAXES FOR IMPROVEMENTS
WITHIN INDUSTRIAL REINVESTMENT ZONE, NUMBER
022018-01, CITY OF SHERMAN, TEXAS**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AUTHORIZING EXECUTION OF AN AGREEMENT WITH FINISAR SHERMAN RE HOLDCO, LLC, A TEXAS LIMITED LIABILITY COMPANY, FOR THE ABATEMENT OF AD VALOREM PROPERTY TAXES FOR IMPROVEMENTS WITHIN INDUSTRIAL REINVESTMENT ZONE, NUMBER 022018-01, CITY OF SHERMAN, TEXAS.

Ms. Lawrence said this resolution would approve the tax abatement to Finisar.

ACTION TAKEN.

Motion by Council Member Stevenson to approve Resolution No. 6346, as presented. Second by Council Member Teamann.

VOTING AYE: Holland, Howeth, Steele, Stevenson, Teamann.

VOTING NAY: None.

MOTION CARRIED.

**RESOLUTION NO. 6347 – AUTHORIZING EXECUTION OF AN
ECONOMIC DEVELOPMENT PROGRAM AGREEMENT WITH
FINISAR SHERMAN RE HOLDCO, LLC, A TEXAS LIMITED
LIABILITY COMPANY, FOR THE GRANT OF INCENTIVES
PURSUANT TO CHAPTER 380 OF THE TEXAS LOCAL
GOVERNMENT CODE**

RES 6347
FINISAR 380
AGREEMENT

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AUTHORIZING EXECUTION OF AN ECONOMIC DEVELOPMENT PROGRAM AGREEMENT WITH FINISAR SHERMAN RE HOLDCO, LLC, A TEXAS LIMITED LIABILITY COMPANY, FOR THE GRANT OF INCENTIVES PURSUANT TO CHAPTER 380 OF THE TEXAS LOCAL GOVERNMENT CODE.

Ms. Lawrence explained that a tax abatement can only last for 10 years. The City can grant additional incentives after the tax abatement has expired. The Chapter 380 Agreement would give Finisar an additional five years of incentives after the tax abatement.

She said the incentive is based on their percentage of taxes paid and would rebate back to them after payment. This agreement calls for 45% in year one and declines to 35% by year five. With both the tax abatement and the Chapter 380 Agreement, Finisar would have a total of 15 years of incentives.

Council Member Steele verified that the \$2.7 million Ms. Lawrence said the City would realize on the tax abatement, does not include the Chapter 380 Agreement. She said the additional five years would be about \$3 million in total property taxes and the City would realize about \$1.8 million. Finisar's benefit would be about \$1.2 million.

COUNCIL MINUTES – MARCH 5, 2018

Council Member Teamann asked if the two abatements could run concurrently. Ms. Lawrence said the Chapter 380 Agreement is very flexible, however the City has never run them concurrently.

Robby Hefton, City Manager, said after the 10 year period, unless it's a new investment, Finisar wouldn't be eligible for a tax abatement. The Chapter 380 Agreement is used in a very few circumstances to "supersize" the tax abatement, if needed.

Council Member Steele asked what threshold Finisar would need to maintain over the 10 year period. Ms. Lawrence said the matrix that the City uses includes jobs but this project also has a large taxable value.

Mr. Hefton said the percentage of the tax abatement to the level of investment would remain the same percentage as in the agreement. The City does have a minimum threshold for the level of investment, but Finisar is at the highest tier anyway.

The City does evaluate their taxable value. He said a portion of their value is "bricks and mortar" and a part is equipment, which is subject to depreciation. When the equipment is replaced the value would increase again. He felt that their value would start at about \$140 million and might decrease to \$100 million with depreciation. However, it would increase again with new equipment. He felt \$100 million was a good estimate, even though their initial minimum investment was \$140 million.

Council Member Steele asked if Finisar moved from Sherman within the 10 year period, but kept the building and a few employees, would there be some "claw-backs" for the City. Mr. Hefton said the abatement would "go away" at that point, and they would receive no further benefits.

Deputy Mayor Howeth said many times, tax abatements are granted to entice a business to come to Sherman. Finisar has already announced their move to Sherman, so why would the City grant them a tax abatement. Mr. Hefton said it is an incentive for them to stay in Sherman.

Mr. Hefton added that the Sherman Economic Development Corporation helps get them here with frontloaded incentives of two or three years. The City's incentives are longer term, 15 years, and help keep the company in Sherman.

ACTION TAKEN.

Motion by Council Member Stevenson to approve Resolution No. 6347, as presented. Second by Council Member Teamann.

VOTING AYE: Holland, Howeth, Steele, Stevenson, Teamann.

VOTING NAY: None.

MOTION CARRIED.

RESOLUTION NO. 6348 – AUTHORIZING SUBMISSION OF AN APPLICATION FOR A GRANT AWARDED UNDER THE OFFICE OF THE GOVERNOR – CRIMINAL JUSTICE DIVISION TO FUND THE PURCHASE OF A CYANOACRYLATE FUMING CHAMBER FOR LAW ENFORCEMENT USE WITHIN THE SHERMAN POLICE DEPARTMENT; DESIGNATING THE CITY MANAGER AS THE AUTHORIZED OFFICIAL TO ACCEPT, REJECT, ALTER OR TERMINATE THE GRANT ON BEHALF OF THE CITY

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AUTHORIZING SUBMISSION OF AN APPLICATION FOR A GRANT AWARDED UNDER THE OFFICE OF THE GOVERNOR – CRIMINAL JUSTICE DIVISION TO FUND THE PURCHASE OF A CYANOACRYLATE FUMING CHAMBER FOR LAW ENFORCEMENT USE WITHIN THE SHERMAN POLICE DEPARTMENT; DESIGNATING THE CITY MANAGER AS THE AUTHORIZED OFFICIAL TO ACCEPT, REJECT, ALTER OR TERMINATE THE GRANT ON BEHALF OF THE CITY.

RES 6348
GRANT APPLICATION
FOR CYANOACRYLATE
FUMING CHAMBER
FOR POLICE DEPT.

Zach Flores, Police Chief, said they currently have a smaller fuming chamber that will only hold small items. This grant application is for a large fuming chamber that would allow them to put in a long rifle or dismantled bicycle to obtain fingerprints, instead of using the old fashion dusting method. The fuming chamber allows a reaction with heat or air and superglue to extract fingerprints.

Chief Flores said this is the first time they have been able to apply for the grant for forensics. There is no matching requirement for the grant and cost of the equipment is about \$13,000.

ACTION TAKEN.

Motion by Deputy Mayor Howeth to approve Resolution No. 6348, as presented. Second by Council Member Teamann.

VOTING AYE: Holland, Howeth, Steele, Stevenson, Teamann.

VOTING NAY: None.

MOTION CARRIED.

RESOLUTION NO. 6349 – AUTHORIZING SUBMISSION OF AN APPLICATION FOR A GRANT AWARDED UNDER THE OFFICE OF THE GOVERNOR – CRIMINAL JUSTICE DIVISION TO FUND THE PURCHASE OF TWENTY-FIVE BODY-WORN CAMERAS FOR LAW ENFORCEMENT USE WITHIN THE SHERMAN POLICE DEPARTMENT; DESIGNATING THE CITY MANAGER AS THE AUTHORIZED OFFICIAL TO ACCEPT, REJECT, ALTER OR TERMINATE THE GRANT ON BEHALF OF THE CITY

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AUTHORIZING SUBMISSION OF AN APPLICATION FOR A GRANT AWARDED UNDER THE OFFICE OF THE GOVERNOR – CRIMINAL JUSTICE DIVISION TO FUND THE PURCHASE OF TWENTY-FIVE BODY-WORN CAMERAS FOR LAW ENFORCEMENT USE WITHIN THE SHERMAN POLICE DEPARTMENT; DESIGNATING THE CITY MANAGER AS THE AUTHORIZED OFFICIAL TO ACCEPT, REJECT, ALTER OR TERMINATE THE GRANT ON BEHALF OF THE CITY.

RES 6349
GRANT APPLICATION
FOR BODY CAMERAS
FOR POLICE DEPT.

Chief Flores said in 2016 the City received a grant to purchase 40 body-worn cameras for the Police Department. All patrol officers have body-worn cameras. However, many times detectives and the Chief also respond to critical incidents. The department is also growing and there are not enough body-worn cameras for all officers.

This grant will allow the department to equip all officers with body-worn cameras and also give them some extra to use when they are sent for repair.

There is a local match of 25% for purchase of the cameras and that is estimated to be about \$5,298 to the City.

Council Member Teamann asked how many officers currently do not have a bodycam. Chief Flores said the Detective Division have some bodycams now and typically wear them when they serve warrants. Usually there are between 40 and 50 bodycams that are functioning. Council Member Holland verified that with the additional bodycams, it would give the officers a few extra in case some are sent for repair.

Chief Flores added that he would rather his patrol officers have a bodycam than himself. Currently the administrative officers would give their bodycams to the patrol officers if they were short.

Deputy Mayor Howeth verified that the officers have to turn on the bodycams, but they don't have to turn on the camera in their vehicle. If they turn the lights on in the car, the camera also turns on.

Council Member Teamann verified that the new bodycams would be the same brand as the ones the City currently owns.

ACTION TAKEN.

Motion by Deputy Mayor Howeth to approve Resolution No. 6349, as presented. Second by Council Member Steele.

VOTING AYE: Holland, Howeth, Steele, Stevenson, Teamann.

VOTING NAY: None.

MOTION CARRIED.

CHANGE ORDER NO. 1

NORTHGATE DRIVE EXTENSION PROJECT; VESSELS CONSTRUCTION A DIVISION OF VESCOR, INC.; \$141,283.22 DECREASE

Clint Philpott, Director of Engineering, said the project was bid in November 2017 and came in over budget. Because of the construction schedule on the Fire Station, the City did award the project, but immediately looked at ways to get the project back in budget.

One change was to remove the water line from the project and use the City crews to install it in-house. The project also included a particularly large headwall. The City was able to

**CHANGE ORDER
NORTHGATE DRIVE
EXTENSION**

extend the box culvert and use side slopes to reduce the size of the headwall to reduce the cost.

Mr. Philpott said the initial bid was approximately \$993,000 and the changes will decrease that amount by about \$141,283, leaving a final contract price of \$852,301, which is under budget.

ACTION TAKEN.

Motion by Council Member Steele to approve Change Order No. 1 to Vessels Construction A Division of Vescor, Inc., for a \$141,283.22 decrease for the Northgate Drive Extension Project, as presented. Second by Council Member Stevenson.

VOTING AYE: Holland, Howeth, Steele, Stevenson, Teamann.

VOTING NAY: None.

MOTION CARRIED.

OTHER BUSINESS

SETTING THE PUBLIC HEARING ON A PROPOSED AMENDMENT TO AN AGREEMENT WITH TEXAS INSTRUMENTS INCORPORATED FOR THE ABATEMENT OF AD VALOREM PROPERTY TAXES FOR EQUIPMENT WITHIN INDUSTRIAL REINVESTMENT ZONE, NUMBER 042013-1, CITY OF SHERMAN, TEXAS

**SET PUBLIC HEARING
TEXAS INSTRUMENTS
TAX ABATEMENT
AMENDMENT**

Ms. Lawrence said this is a request to set a public hearing on the extension of a tax abatement agreement the City currently has with Texas Instruments. The abatement is on equipment that is warehoused at the Sherman facility.

The original agreement is for approximately \$10 million in equipment with 55% abatement for five years. The amendment would be for an additional five year's abatement. By law, an abatement period may not exceed 10 years.

Council Member Steele confirmed that the abatement would be based on the \$10 million threshold of equipment.

ACTION TAKEN.

Motion by Council Member Steele to approve an Amendment to an Agreement with Texas Instruments Incorporated for the abatement of Ad Valorem Property Taxes for equipment within Industrial Reinvestment Zone Number 042013-1, as presented. Second by Council Member Teamann.

VOTING AYE: Holland, Howeth, Steele, Stevenson, Teamann.

VOTING NAY: None.

MOTION CARRIED.

RECEIVE PRESENTATION FROM CITY MANAGER ROBBY HEFTON ON THE CITY OF SHERMAN'S EMPLOYEE HEALTH INSURANCE PROGRAM

**EMPLOYEE HEALTH
INSURANCE UPDATE**

Mr. Hefton said the challenges of the Employee Health Insurance Program reached a crisis point in 2016 and was costing so much money that the City was either going to have to make some significant changes to the plan or make drastic

cuts in operations, which may have included job cuts. He said they found that the program wasn't being managed as it should have been, both internally and externally.

Because of that, the staff felt there was no other choice but to make some drastic changes. First there were some vendor changes.

Mr. Hefton said in FY 2007, Health Fund expenses were at \$4.5 million but by 2017 the Fund expenses were at \$8 million. Historically, medical inflation runs about two times what regular inflation runs. Regular inflation has been running about 2% so medical inflation would run about 4%. Sherman's medical inflation is nearly double that amount for the 10 year period.

In 2017, changes were made to the City's plan which brought expenses back down to about \$4.5 million. Additional changes have been implemented at the end of the year, so a full year's impact hasn't been realized yet. When projected out, Mr. Hefton said the staff believes the expenses will be closer to the \$4 million range, which would be a 50% cut.

Benefits have been put on par with other cities the size of Sherman and the plan structure has changed. Because of this, the City has been able to assist employees with their Health Savings Account.

Mr. Hefton said the City had some very serious claims at the end of 2016. He said they felt that the changes made were effective, but they are still "tweaking" the plan and additional changes will be made.

He recognized several employees that worked on the changes, including Cathy Perkins, Human Resources Manager; Mary Lawrence, Director of Finance; and the Human Resources staff. He also recognized the City's new consultants, Brinson. He added that the staff continues to evaluate and monitor the situation and make changes to the plan as needed.

Ms. Lawrence said the City has realized excellent results with changes to the plan. The current plan is a "high deductible plan with flexible spending." Employees are able to contact telemedicine and possibly alleviate the need for a doctor's visit to obtain a prescription. She said, in a seven month period in 2017, there were 255 teledoc "visits" that saved the employee money.

The plan also offers contracts with local facilities and lower deductibles with exclusive providers. These changes save the City money on the plan and save the employee money with their deductible.

Ms. Lawrence said a self-funded plan offers many pieces, and the staff worked out contracts for each piece so the end result

is more flexible and is a superior product. Any one of the “pieces” can be replaced if a better alternative is available.

She said the City has also been able to help employees with their Health Services Account, or HSA funding, which basically lowers their deductible. In 2017, the City gave them \$500 and in 2018 gave them \$650. If the money is not used for health care costs, it can be used for vision.

Employees can contribute, pre-tax, to their HSA and it accumulates from year-to-year. Ms. Lawrence said, if the HSA is used, it’s like getting a 22% discount on your medical bills.

Mr. Hefton added that, if the claims in 2018 perform as the staff believes they will, the goal would be to contribute even more to the employees than they did this year. He said they hoped to “ease the burden to the employees and their families.”

The first year of the new high-deductible plan, compared to the City’s peers, was a middle-of-the-road deductible. For the local facilities such as Wilson N. Jones Hospital, TMC, and Heritage Park Surgery Center, the deductible was lowered from \$3,700 to \$1,350, which is the lowest deductible allowable under IRS regulations.

Mr. Hefton said the City had to make changes in the plan but has seen good performance and did two things to share the benefit with the employees. One was lowering the deductible and the other was contributing more to the employee’s HSA.

Ms. Lawrence added that the health plan will always need to be managed, but the City is committed to quality health care for the employees.

Mr. Hefton said while the staff is excited about the changes in the plan, there was a “hole” that they will have to “dig out of” because of the many years that the costs increased and the City had to “prop up” the fund. He expected it to take most of 2018 to “dig out of that hole” and to add some cushion to the fund.

He said there is still some work to do to get the plan back on sound financial footing. Once that’s done, the staff can evaluate how much can be given back to the employees and the effect it will have on the budget.

CITIZENS REQUESTS

There were no citizen’s requests.

CITIZEN’S REQUESTS

MEDIA QUESTIONS

There were no media questions.

MEDIA QUESTIONS

COUNCIL COMMENTS

EMPLOYEE HEALTH INSURANCE

Council Member Holland congratulated the staff on the great job they did with the Employee Health Insurance. He said it was lots of hard work.

EMPLOYEE HEALTH
INSURANCE

EMPLOYEE HEALTH INSURANCE

Council Member Teamann said the staff did a great job with the Employee Health Insurance and it was a tremendous savings. He recognized all the hard work that went into the changes.

EMPLOYEE HEALTH
INSURANCE

Mr. Hefton recognized Ms. Lawrence, Ms. Perkins, the Human Resources Department, and Zach Flores, Police Chief and former Human Resources Manager, for all their work on the program.

MENTORING PROGRAM

Council Member Teamann thanked Mayor Plyler for recently reading to the students at Jefferson Elementary School. Mayor Plyler said it was fun and urged everyone to become involved in the Mentoring Program.

MENTORING
PROGRAM

ELECTION DAY

Deputy Mayor Howeth reminded everyone that tomorrow is Election Day and urged citizens to vote.

ELECTION DAY

ANNOUNCEMENTS

Mayor Plyler announced the following:

ANNOUNCEMENTS

- Recognized the Sherman Fire Rescue representatives that were in attendance at the Council Meeting.
- Parks and Recreation will hold a Flashlight Egg Hunt on March 23, 2018 at 8:30 p.m. at Pecan Grove Park West.
- Parks and Recreation will hold the Eggstravaganza Easter Egg Hunt on March 24, 2018 at 10:00 a.m. at Pecan Grove Park West.
- Sherman Celtic Festival will be held on March 24, 2018 from 9:00 a.m. until 9:00 p.m. at Texoma Home Health.
- Craft the Night Away will be held on April 7, 2018 from 5:00 p.m. until 9:00 p.m. in Downtown Sherman.

EXECUTIVE SESSION – IN ACCORDANCE WITH CHAPTER 551, GOVT. CODE, V.T.C.S., (OPEN MEETINGS LAW)

EXECUTIVE SESSION

THE CITY COUNCIL WILL NOW HOLD AN EXECUTIVE SESSION PURSUANT TO THE PROVISIONS OF THE OPEN MEETINGS LAW, CHAPTER 551, GOVERNMENT CODE, VERNONS TEXAS CODES ANNOTATED, IN ACCORDANCE WITH THE AUTHORITY CONTAINED IN THE FOLLOWING SECTIONS.

COUNCIL MINUTES – MARCH 5, 2018

SECTION 551.071 – CONSULTATION WITH CITY
ATTORNEY CONCERNING
PENDING OR CONTEMPLATED
LITIGATION

SECTION 551.071 -- CONSULT WITH THE CITY
ATTORNEY ON A MATTER IN
WHICH THE DUTY OF THE
ATTORNEY TO THE
GOVERNMENTAL BODY UNDER
THE TEXAS DISCIPLINARY RULES
OF PROFESSIONAL CONDUCT OF
THE STATE BAR OF TEXAS
CLEARLY CONFLICTS WITH THIS
CHAPTER

SECTION 551.087 -- DELIBERATION REGARDING
ECONOMIC DEVELOPMENT
NEGOTIATIONS:
DELIBERATE REGARDING
COMMERCIAL OR FINANCIAL
INFORMATION THAT THE CITY
HAS RECEIVED FROM A
BUSINESS PROSPECT AND
DELIBERATE ANY OFFERS OR
INCENTIVES TO THE BUSINESS
PROSPECT

Mayor Plyler said no Executive Session was needed.

ADJOURNMENT

On Motion duly made and carried, the meeting adjourned at
5:40 p.m.

ADJOURNMENT

MAYOR

CITY CLERK