

STATE OF TEXAS §
January 22, 2019
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 on January 22, 2019.

MEMBERS PRESENT: MAYOR DAVID PLYLER; DEPUTY MAYOR SHAWN TEAMANN.
COUNCIL MEMBERS HOLLAND, HOWETH, MELTON, STEELE, STEVENSON.

MEMBERS ABSENT: NONE.

CALL TO ORDER

Mayor Plyler called the meeting to order at 4:00 p.m. The Pledge of Allegiance and Invocation were given by Council Member Daron Holland.

CALL TO ORDER

APPROVE MINUTES

The Council reviewed the Minutes of the Regular City Council Meeting of January 7, 2019. Council Member Howeth moved to approve the Minutes, as presented; Second by Council Member Stevenson. All present voted AYE.
MOTION CARRIED.

APPROVE MINUTES

CONSENT AGENDA

The Council reviewed the Consent Agenda. Council Member Stevenson moved to approve the Consent Agenda, as presented. Second by Council Member Holland. All present voted AYE.

CONSENT AGENDA

RESOLUTIONS

RESOLUTION NO. 6452 – AWARDING A BID TO AND AUTHORIZING EXECUTION OF CONTRACTS WITH SOUTHWEST INTERNATIONAL TRUCKS AND WITH DUTEC, INC. FOR A NEW SERVICE TRUCK FOR THE EQUIPMENT SERVICES DEPARTMENT

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AWARDING A BID TO AND AUTHORIZING EXECUTION OF CONTRACTS WITH SOUTHWEST INTERNATIONAL TRUCKS AND WITH DUTEC, INC. FOR A NEW SERVICE TRUCK FOR THE EQUIPMENT SERVICES DEPARTMENT.

CONSENT AGENDA.

RES 6452
VEHICLE PURCHASE
FOR EQUIPMENT SVCS

RESOLUTION NO. 6453 – AUTHORIZING THE PURCHASE OF A NEW 2019 JOHN DEERE 310SL BACKHOE FOR THE STORMWATER DEPARTMENT FROM RDO EQUIPMENT CO. THROUGH THE TEXAS LOCAL GOVERNMENT PURCHASING COOPERATIVE (BUYBOARD)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, AUTHORIZING THE PURCHASE OF A NEW 2019 JOHN DEERE 310SL BACKHOE FOR THE STORMWATER DEPARTMENT FROM RDO EQUIPMENT CO. THROUGH THE

RES 6453
EQUIP PURCHASE
FOR STORMWATER
DEPT

**TEXAS LOCAL GOVERNMENT PURCHASING COOPERATIVE
(BUYBOARD).
CONSENT AGENDA.**

**RESOLUTION NO. 6454 – AUTHORIZING THE PURCHASE OF
A NEW CATERPILLAR CB7 SPLIT DRUM ROLLER FOR THE
STREET MAINTENANCE DEPARTMENT FROM HOLT CAT
THROUGH THE TEXAS LOCAL GOVERNMENT PURCHASING
COOPERATIVE (BUYBOARD)**

**RES 6454
EQUIP PURCHASE
FOR STREET DEPT**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SHERMAN, TEXAS, AUTHORIZING THE PURCHASE OF A NEW
CATERPILLAR CB7 SPLIT DRUM ROLLER FOR THE STREET
MAINTENANCE DEPARTMENT FROM HOLT CAT THROUGH
THE TEXAS LOCAL GOVERNMENT PURCHASING
COOPERATIVE (BUYBOARD).
CONSENT AGENDA.**

**REQUEST TO ADVERTISE
LEASE-PURCHASE FINANCING OF VARIOUS PIECES OF
CAPITAL EQUIPMENT**

**REQ TO ADVERTISE
LEASE-PURCHASE OF
CAPITAL EQUIP**

**The City Council approved the request to advertise for the
lease-purchase financing of various pieces of capital
equipment.**

**The City has realized savings on several projects by
performing the work in-house instead of using outside
contractors. Several additional projects that could be
completed in-house have been identified.**

**Additional equipment will be needed to complete these
projects, including a motor grader, steel wheel roller, flip
screen attachment pneumatic roller, paver and skid steer.
These purchases are expected to cost about \$1.2 million, so
the staff recommended lease-purchase financing to spread out
the purchase cost over several years.
CONSENT AGENDA.**

**ANNUAL PURCHASE OF WATER METERS FOR THE CITY OF
SHERMAN AUTOMATED METER READING SYSTEM**

**ANNUAL PURCHASE
OF WATER METERS**

**The City Council approved the request to advertise for water
meters for the City's Automated Meter Reading System. The
meters will range in size from 5/8" to 2", and must be
compatible with the ITRON Automated Reading Systems,
MRVS and AMI.
CONSENT AGENDA.**

**REPAIR OR REPLACEMENT OF LAKE TEXOMA PUMP
STATION PUMP #3**

**PUMP STATION
REPAIRS**

**The City Council approved the request to advertise for the
repair or replacement of Lake Texoma Pump Station Pump #3.**

**Raw Water Pump #3 is located at the Lake Texoma Pump
Station, which pumps water from Lake Texoma to the City's
Water Treatment Plant. The pump is not functioning and must
be pulled and inspected.
CONSENT AGENDA.**

OTHER BUSINESS

RECEIVE FINANCIAL UPDATE PRESENTATION

FINANCIAL UPDATE

Mary Lawrence, Director of Finance, said during the Budget Workshop, the projection for the General Fund at the end of 2018 was about 78 days of fund balance. Actually the City ended with 84 days of fund balance, due to good sales tax performance.

Based on this, the budget was built with a projected ending fund balance of 77 days for 2019, but they are now projecting an ending fund balance of 82 days, again because of sales tax. She added that much of this is “one time money” from industrial construction. However the City is still up about 5% this year from a good growth rate.

Ms. Lawrence also updated the Council on the Property Tax Rate. The current rate adopted by the Council is \$42.73, with \$31.96 for maintenance and operations and \$10.77 for debt.

The Comptroller requires calculations for an Effective Tax Rate and a Rollback Tax Rate. The Effective Tax Rate is the rate that would raise the same amount of dollars as last year using property tax in both years.

The Rollback Tax Rate takes the prior year M&O rate, adds a rate for the sales tax in lieu of property tax, adds 8% to that for the operations part, and the debt service part goes on top of that.

Ms. Lawrence said this causes a “seesaw effect.” As the appraised property values and sales tax increase, the Effective Tax Rate and the Rollback Rate decrease.

She added that the debt service portion of the Rollback Rate may rise as high as necessary to fund the debt, which assures the bond holders that the rate won't be capped because of debt service.

The operations (M&O) portion includes non-debt capital spending. The sales tax in lieu of property tax is included in the Rollback Rate as if it is paid by City property owners. Therefore, even though half of the sales tax is paid by people not living in Sherman, it is treated, for purposes of calculating the Rollback Rate, as if it's paid by Sherman property owners.

She said this year, there is a Legislative Agenda by the Governor, for a revenue cap. If approved, it would decrease the Rollback Rate from 8% to 2.5%. Anything above the 2.5% cap could only be used for certain purposes. She said, statewide, City property tax is only about 16% of all the property tax revenue. Another provision would be further limited by an increase in population and inflation, which would hurt growing cities.

There is also a Senate Committee that is considering a removal of the Tax Increment Financing exclusion from the Effective Tax Rate calculation, which would lower the Rollback Rate even further.

Ms. Lawrence outlined the historical Tax Rates for Sherman by fiscal year, adding that the City has done a good job of managing the operations, since the M&O rate is either staying the same or decreasing, since 2015. The City stays below the current Rollback Rate.

The staff also projected where the City would be if the Rollback Rate does decrease to 2.5%. At 2.5%, the City's Rollback Rate could be below the current adopted rate. The Rollback Rate is important because if the Council proposes a rate above the Rollback Rate, the voters could petition for a Rollback Election. If the Election is successful, the City would adopt the Rollback Rate.

She added that a revenue cap isn't needed because citizens always have the power to influence the Tax Rate through their City officials and Elections. The revenue cap proposal would limit the City's ability to determine how they fund operations. It would also penalize the City by increases in sales tax, about half of which is not paid by Sherman citizens.

Robby Hefton, City Manager, said no Council action was needed on the issue. The staff wanted to highlight that the City has done better than projected over the last year, which is generating revenue that gives a higher fund balance.

He added that the revenue cap is particularly important as the City moves forward with progress, such as building roads, parks and libraries. It will create a lot of pressure and could limit the City in the ability to do those things.

The Governor's Office is not only considering the revenue cap, but is also considering capping the amount of debt in the rate. The City's M&O rate, that funds salaries and operations, is not a problem and has actually gone down. The City's issue is that we are in the mode of building roads, which is incredibly expensive, and this cap could curtail the projects that need to be completed ahead of growth or as growth is happening.

There are organizations working for the cities, but ultimately it is a "political contest, at the State level." Mr. Hefton felt there would be a revenue cap adopted that is lower than the current cap, but the level at which it happens could have a dramatic effect. The issue will impact planning for 2020.

RECEIVE UPDATE FROM COMMUNITY AND SUPPORT SERVICES MANAGER NATE STRAUCH REGARDING ONGOING PROJECTS IN THE CITY

Nate Strauch, Community and Support Services Manager, presented a promotional video highlighting some of the growth in Sherman and asking "why move to Sherman?" He

UPDATE ON ONGOING PROJECTS

said the video will be used to show potential developers what's going on in Sherman.

The second video was the more traditional update of projects and began with the Fairview Park Dog Park, which is officially open.

Other projects included were:

- Moore Road Solar Farm – is complete and in the final testing phases. They expect to be generating power by the end of February 2019. They are also contemplating a second phase to the project.
- Quail Run – building 76 lots, already have streets and piping going in. It will include a new park.
- The Preserve – has already been platted and will include 42 lots.
- Brookstone Estates – instead of the apartment project, they will construct about 100 residential lots and four to six commercial lots. There will be access to Pebblebrook and FM Hwy 1417. The City will construct a park/trail head that ties into Herman Baker Park.
- West Canyon Creek Estates -- currently no building underway, but they have platted some cul-de-sacs, with lots that are for sale.
- Pecan Grove – in the clearing stages and will then move to grading.
- Lake Street – a portion of the street, on the east side, will remain open after the Park Street Extension is constructed. It will end with a cul-de-sac before the railroad crossing. The wash-out occurred at the creek. The portion of Lake Street that runs through Douglass Distributing has been abandoned and conveyed to the adjacent property owner. The road will eventually tie-in with another part of Lake Street and Park Street.

RECEIVE UPDATE FROM COMMUNITY AND SUPPORT SERVICES MANAGER NATE STRAUCH ON THE CITY'S QUALITY NEIGHBORHOODS PROGRAM

QUALITY
NEIGHBORHOODS
PROGRAM UPDATE

Mr. Strauch presented an update on the City's Quality Neighborhoods Program. In March of 2018, the Council approved the hiring of a Neighborhood Quality Coordinator to take over the Substandard Structure Program, portions of the Community Development Block Grant, and cross-train with the Code Enforcement Department. Chip Matthews was hired for the position in May 2018.

For the FY 2018-2019 Budget, the Council approved \$125,000 for substandard remediation, with \$100,000 of that money coming from the Community Development Block Grant, and

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\$25,000 from the General Fund for projects outside the target area. There is a restriction on CDBG money as to where it can be used. The money has been spent and was used to demolish 60 different structures on 44 properties.

Mr. Strauch said the problem impacts structures in all parts of the City and showed a map with highlighted problems in all City Council Districts.

He presented five case studies outlining use of the program. The first case study was inside the target area and allowed CDBG money to be used for removal of the structure. Use of this funding is determined by how much money people make in that area, as determined by Census blocks.

Prior to this budget year, the City spent the majority of the CDBG money on the entitlement program, with money for small scale renovations for citizens in the target area. This year more money was budgeted for the demolition program because that is the program the Council wanted to “ramp up.”

All of the \$100,000 in CDBG money has been spent on projects and Mr. Strauch highlighted three properties where structures were demolished under this program.

The second case study is a City funded demolition. CDBG money cannot be used in some neighborhoods, where citizens earn too much money. These areas are determined by Census tracts. Therefore, money from the City’s budget must be used for these demolitions.

Another case study demolished structures in high profile areas of the City. These are located on streets that are highly traveled. He said the most ambitious and most expensive project to date was located in the 500 block of South First Street, and included seven residential lots, several buildings, and more than a dozen junked vehicles. There were also five people living on the property with no water, no sewer, and no trash service.

The fourth case study concerns infill development, which is really the goal of the program, to reactivate or reuse the lots. There is a return on investment, when someone constructs a new home on a lot that the City has paid to clean up.

The staff estimates that there are 850 residential properties in Sherman that would currently qualify for demolition or remediation. There are currently 16 homes in the process at the present time. Mr. Strauch said the program has seen an increase of walk-ins, and voluntary compliance has increased substantially. The Court of Record that was established last year has helped greatly.

Mr. Strauch said the hiring of Mr. Matthews has been extremely beneficial and he has brought an “assembly line” process to

the program. If the funds are available, he can move dozens of structures through the process at the same time.

The fifth case study concerns a structure on Cardinal Lane that was abandoned by the owner. The roof has caved in and the home was reported by the neighbors.

Mr. Strauch said the “pros” of the program include removing blight with minimal input; it increases neighborhood property values; allows for infill development; reduces the need for City services; and it improves the health, safety, and quality of life for neighbors. It also increases revenue through additional property taxes for the City and stimulates the economy through construction spending.

There are also some “cons” of the program in that it is expensive and costs an average of \$6,000 to demolish a house. On a \$125,000 infill build, it takes about 11 years for the City to make its money back from the demolition. Larger structures cost even more to demolish.

He said the program also benefits both the destitute and millionaires alike. The goal is to remove the structures from the neighborhood. Voluntary compliance has been high and is increasing, however he said the staff would like to look at placing liens on properties that are taken to court. This would help the City recoup some of the cost of the demolition.

Mr. Strauch said the top Council priority over the past year has been cleaning up the City. Several programs were initiated to help achieve this goal. There has been increased code enforcement through the Neighborhood Refresh Initiative, a crackdown on bulk waste, and additional substandard demolitions through an increased budget and additional staff.

He said the demolition program is robust and legally sound, and the Municipal Court has helped greatly in dealing with the situation. There are enough substandard houses that could keep the program going for a decade. Mr. Strauch said the City Council ultimately determines how far the City should go and how quickly they should move.

The plan that the staff is proposing is to demolish 100 structures per year, but by paying “retail” for the demolitions, it would cost more than \$500,000 annually. He said the City has “crossed the threshold” where it makes more sense to move the operation in-house.

The staff is proposing to hire a three-person crew to handle the demolitions in-house, using City equipment. The total cost of the crew would be approximately \$375,000 annually to demolish 100 structures. To fund this project, the City would use \$225,000 from the CDBG money and \$25,000 from the General Fund, plus \$1,300 per house in tipping fees. The City’s portion would fund demolitions outside the CDBG target area.

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Mr. Strauch said the grant money would be used to pay for the labor costs on projects in the target area, and could be used to “back-fill” the General Fund for use of the City-owned equipment. To do this, four additional pieces of equipment would be needed.

The City would need an excavator, skid-steer, dump truck, and trailer, which could be paid with cash from the “windfall” sales tax or could be leased. Cost of the equipment would be about \$425,000. The estimated cost savings on an in-house demolition would be about \$2,000 per average property.

He felt the crew could be in place by March 1, 2019, and the City could complete 50 additional demolitions before October 2019, at a cost of about \$187,000. This would be a savings of \$123,000 over contractor pricing.

Mr. Hefton said no City Council action was needed tonight, but the staff needs to know if they should continue on with the program as it has been going. He said Mr. Matthews has done a great job with the program and has exceeded expectations.

The City is out of money for the program this year, but there is additional fund balance that could carry the program through the remainder of the fiscal year. Then the plan would be to shift the majority of the program cost to the CDBG program so it’s not coming out of local taxpayer funds, but is coming out of Federal funds.

Council should decide if they want the staff to continue with the program through this budget year, and then they will discuss the program for next fiscal year during budget discussions.

Council Member Steele said the City appropriated about \$125,000 at the beginning of this fiscal year, and asked how many structures have been demolished this year. Mr. Strauch said because Mr. Matthews started in the middle of a budget year, he was working from two different budgets. The results include everything that was done last budget year, and everything that was done this budget year.

Council Member Steele clarified that, with the \$125,000 that was appropriated for this year’s budget, the City has removed about 60 structures. Most properties have two “structures” on the property. The staff has identified about 850 structures that need to be considered for demolition.

Mayor Plyler said the Council was in agreement that this needs to be continued for the remainder of the year. Mr. Hefton said the remainder of the grant money for this budget year would be used up in a month or so. For the rest of the budget year, the City would use General Fund Reserves, that are 11 days higher than expected. For 2020, he expected most of the cost to come from CDBG money.

Deputy Mayor Teamann verified that, keeping with the same pace, six months of demolitions would cost about \$300,000 versus about \$375,000 for an entire year, if taken in-house. He felt the program needed to continue and they should consider adding some personnel to enforce code violations.

Mr. Strauch said an additional 1.5 people have been added over the last two years, excluding Mr. Matthews. Council Member Stevenson agreed that the program needed to continue moving forward.

Council Member Melton verified that they are talking about adding additional staff for the program. She expressed concern about whether these people would lose their job or the program would continue “from now on.” Mr. Strauch confirmed that the program would continue from now on.

Council Member Steele confirmed that this program did not include commercial structures. Mr. Hefton confirmed that this concerns residential property only. He said commercial property is more involved because it includes asbestos abatement and some other issues.

Council Member Melton asked about notifying citizens that this is available to them, and verified that there is no cost to the property owner. Mr. Strauch said people are becoming aware of the program and confirmed that they voluntarily sign for demolition of the substandard structure, and then they retain the cleared lot.

APPROVE QUARTERLY INVESTMENT REPORT FOR QUARTER ENDED DECEMBER 31, 2018

The City Council approved the Quarterly Investment Report for the quarter ended December 31, 2018. As of that date, the portfolios were in compliance with applicable State laws and the Investment Policy.

The operating investment portfolio had a book value of about \$12.5 million, a decrease of about \$1.0 million from the prior quarter of \$13.5 million, due to a withdrawal from the Local Government Investment Pool. The underlying investments were adequately diversified among four different types of securities. This portfolio is appropriately liquid, and its weighted-average maturity was about 448 days, up from 407 days from last quarter.

The portfolio yield of 2.0% for the quarter is 63 basis points lower than the benchmark yield of 2.63%. Recent rising interest rates are the cause for this difference in portfolio yields versus benchmark yields. The portfolio value on the City’s books is approximately market value.

The debt proceeds portfolio balance of \$26.6 million was invested in a Local Government Investment Pool and an FDIC insured investment account. Transactions in this portfolio pays for capital projects and the receipt of interest income.

QUARTERLY INVESTMENT REPORT

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The yield of 2.16% was below the benchmark yield of 2.44% for this portfolio. Book value and market value were about the same.

CONSENT AGENDA.

CONSIDER CALLING A SPECIAL MEETING OF THE CITY COUNCIL FOR A TRAINING WORKSHOP TO BE CONDUCTED BY E. ALLEN TAYLOR, JR., FOUNDRING PARTNER OF TAYLOR, OLSON, ADKINS, SRALLA AND ELAM, LLP ON WEDNESDAY, FEBRUARY 27, 2019

COUNCIL TRAINING WORKSHOP (FEB. 27, 2019)

Mr. Hefton said this is the annual training for Council Members from Allen Taylor. The proposed date for the Training Workshop is February 27, 2019, and would be held during the lunch time.

ACTION TAKEN.

Motion by Council Member Stevenson to schedule a Called Council Meeting for a Training Workshop, on February 27, 2019, as presented. Second by Council Member Melton.

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

VOTING NAY: None.

MOTION CARRIED.

CONSIDER REQUEST OF SHERMAN MAIN STREET, TEXOMA SOCIETY OF CELTS, AND THE OLD IRON POST TO TEMPORARILY CLOSE CERTAIN STREETS FOR THE ST. PATRICK’S DAY PARADE ON SATURDAY, MARCH 16, 2019

CLOSE STREETS ST. PATRICK’S DAY PARADE (MARCH 16, 2019)

The City Council approved the request of Sherman Main Street, Texoma Society of CELTS, and the Old Iron Post to temporarily close certain streets for the St. Patrick’s Day Parade on March 16, 2019.

The City will provide labor for traffic control assistance through the Police and Street Departments.

CONSENT AGENDA.

CITIZENS REQUESTS

There were no citizen’s requests.

CITIZENS REQUESTS

MEDIA QUESTIONS

There were no media questions.

MEDIA QUESTIONS

APPOINT/REMOVE OR CONSIDER QUALIFICATIONS TO BOARDS AND COMMISSIONS

KEEP SHERMAN BEAUTIFUL COMMISSION (5)

ACTION TAKEN.

Motion by Deputy Mayor Teamann to reappoint Amanda Smith and Amanda Phillips to the Keep Sherman Beautiful Commission for a term from January 1, 2019 to January 1, 2021, and appoint Bri Berry for a term from January 23, 2019 to January 1, 2021, as presented. Second by Council Member Stevenson.

KEEP SHERMAN BEAUTIFUL

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

VOTING NAY: None.

MOTION CARRIED.

COUNCIL COMMENTS

DR. MARTIN LUTHER KING, JR. PARADE

Council Member Holland thanked everyone that attended the Dr. Martin Luther King, Jr. Parade recently. He said there were more participants than expected. The breakfast on the following Monday was also good.

DR. MARTIN
LUTHER KING, JR.
PARADE

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

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.

EXECUTIVE SESSION

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

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ADJOURNMENT

On Motion duly made and carried, the meeting adjourned at 4:55 p.m.

ADJOURNMENT

MAYOR

CITY CLERK